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ABSTRACT

This document reports on proposed Federal reform of the welfare system. Amendments are suggested to proposed legislation that would accomplish the following goals: (1) replace the existing Aid to Families with Dependent Children (AFDC) program with a new Family Support Program that emphasizes work, child support, and a need-based family support supplement; (2) amend Title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence; and (3) make other necessary improvements to assure that the new program will be more effective in achieving its objectives. Amendments cover the following areas: (1) the National Education, Training, and Work-related (NETWork) Program; (2) day care, transportation, and work-related expenses; (3) real work incentives; (4) transitional services for families; (5) child support enforcement; (6) pro-family welfare policies; and (7) benefit improvements. The budget effects of the amendments are discussed. Twelve dissenting views are included. (FMW)

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100TH CONGRESS | HOUSE OF REPRESENTATIVES | REPT. 100-159
1st Session | | Part 1

FAMILY WELFARE REFORM ACT OF 1987

JUNE 17, 1987.—Ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 1720 which on March 19, 1987, was referred jointly to the Committee on Ways and Means, the Committee on Education and Labor for consideration of such provisions of title I of the bill as fall within the jurisdiction of that committee under clause 1(g), rule X, and the Committee on Energy and Commerce for consideration of such provisions of title IV of the bill as fall within the jurisdiction of that committee under clause 1(h), rule X]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1720) to replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

CONTENTS

Page
- I. Introduction 37
  - A. Purpose and Scope 37
  - B. Background and Need for Legislation 38
  - C. Summary 42
- II. Explanation of Provisions 50
  - Section 1.—Short Title and Table of Contents 50

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Page
Section 2.—AFDC Replaced by Family Support Program 51
A. Title I.—National Education, Training and Work (NETWork) Program 51
1. State Plan Requirement 51
2. Establish and Operation of State Programs 51
3. Participation Requirements and Exemptions 52
4. Coordination with Existing Recipient Activities 53
5. Service Priorities 53
6. Orientation 56
7. Assessment and Family Support Plan 56
8. Agency-Client Agreement and Case Management 56
9. Range of Services and Activities 57
10. Working Conditions, Wage Rates and Displacement 59
11. Coordination 60
12. State Service Contracts 60
13. Work Supplementation Program 60
14. Community Work Experience Program 61
15. Job Search 61
16. Sanctions for Failure to Participate 62
17. Regulations 63
18. Performance Standards 63
19. Evaluation, Research and Technical Assistance 64
20. Reporting Requirements 64
21. Federal Financial Participation 64
22. 100 Hour Rule Demonstration Projects 65
23. Early Childhood Development Demonstrations 65
24. General Demonstration Authority 65
25. Effective Date 66
B. Title II.—Day Care, Transportation and Other Work-Related Expenses 66
1. Payment of Day Care Expenses 66
2. Reimbursement of NETWork Transportation and Other Work-Related Expenses 67
3. Limitations on Treatment of Day Care Expenses 67
4. Day Care Transition 68
5. Evaluation of Child Care Resources 68
6. Demonstration Projects 68
C. Title III.—Real Work Incentives 69
1. Earned Income Tax Credit 69
2. Changes in Earned Income Disregards 69
3. Optional State Disregard Increases 70
4. Adjustment of Standard Deduction 70
5. Effective Date 70
D. Title IV.—Transition Health Care
1. Medicaid Transition 71
E. Title V.—Child Support Enforcement Amendments 71
1. State Guidelines for Child Support Award Amounts 71
2. Establishment of Paternity 72
3. Visitation Demonstrations 73
4. Child Support Disregard Clarification 73
5. Time Frames for States CSE Responses 73
6. Mandatory Automated Tracking and Monitoring 74
7. Treatment of Interstate Funds 74
8. Child Support Administrative Match and Presumptive Wage Withholding 74
9. Commission on Interstate Enforcement 75
10. Study of Child Raising Costs 75
11. Demonstration Projects to Test Voluntary Work, Education, and Training for Fathers Who Are Unable to Pay Child Support 75
12. Access to DOL-Funded Quarterly Cross Match System 75
13. Effective Date 76
F. Title VI.—Pro-Family Welfare Policies 76
1. Mandatory AFDC-UP 76
2. Case Management Services for Minor Parent Families 76

Page
3. Minor Parent Family Living Arrangements and Grandparent Deeming 77
4. Optional State Requirements for Minor Parents 78
G. Title VII.—Benefit Improvements 78
1. Annual Evaluation of Need and Payment Standards 78
2. Enhanced Federal Match for Benefit Improvements 78
3. Study of Minimum Benefit Proposals 80
H. Title VIII.—Miscellaneous Provisions 81
1. AFDC-Food Stamp Coordination 81
2. Uniform Reporting Requirements 81
3. State Reports on Expenditure and Use of Social Service Funds 82
4. Evaluation of Employment, Training, and Work Programs 82
5. Demonstration Projects on Housing the Homeless 82
6. New York State Child Support Demonstration Project 83
7. Demonstration of Family Independence Program in the State of Washington 83
8. Include American Samoa in AFDC/FSP Program 84
9. Sanction for Failure to Complete Treatment for Drug or Alcohol Abuse 84
10. Study of Housing Problems 85
11. Increased Funds for the Territories 85
III. Budget Effects of the Bill 85
A. Committee Estimate 85
B. Statement Regarding New Budget Authority and Tax Expenditures 86
C. Cost Estimate Prepared by the Congressional Budget Office 86
IV. Other Matters Required to be Discussed Under House Rules 105
A. Vote of the Committee 105
B. Oversight Findings 105
C. Oversight by Committee on Government Operations 106
D. Inflation Impact 106
V. Changes in Existing Law Made by the Bill, as Reported 106
VI. Additional Views 172
VII. Dissenting Views 174

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **Short Title.**—This Act may be cited as the "Family Welfare Reform Act of 1987".

(b) **Table of Contents.**—

Sec. 1. Short title; table of contents.
Sec. 2. AFDC replaced by family support program.

TITLE I—NATIONAL EDUCATION, TRAINING, AND WORK (NETWORK) PROGRAM

Sec. 101. Establishment of network program.
Sec. 102. Related substantive amendments.
Sec. 103. Technical and conforming amendments.
Sec. 104. Effective date.

TITLE II—DAY CARE, TRANSPORTATION, AND OTHER WORK-RELATED EXPENSES

Sec. 201. Payment of expenses by States.
Sec. 202. Development of new child care resources.
Sec. 203. Effective date.

TITLE III—REAL WORK INCENTIVES

Sec. 301. Changes in earned income disregards.
Sec. 302. Effective date.

TITLE IV—TRANSITIONAL SERVICES FOR FAMILIES

Sec. 401. Medicaid eligibility.
Sec. 402. Effective date.

TITLE V—CHILD SUPPORT ENFORCEMENT AMENDMENTS

Sec. 501. State guidelines for child support award amounts.
Sec. 502. Establishment of paternity.
Sec. 503. Demonstration projects to address visitation and custody problems.

Sec. 504. Disregarding of child support payments for FSP purposes.
Sec. 505. Requirement of prompt State response to requests for child support assistance.
Sec. 506. Automated tracking and monitoring systems.
Sec. 507. Costs of interstate enforcement demonstrations excluded in computing incentive payments.
Sec. 508. Federal matching reduced for States which are not in compliance with 1984 amendments, and increased for States which require immediate income withholding upon issuance of court order.
Sec. 509. Commission on interstate enforcement.
Sec. 510. Study of child-raising costs.
Sec. 511. Demonstration projects to test voluntary work, education, and training for fathers who are unable to pay child support.
Sec. 512. Collection and reporting of child support enforcement data.
Sec. 513. Assistance in locating absent parents.
Sec. 514. Effective date.

TITLE VI—PRO-FAMILY WELFARE POLICIES

Sec. 601. Requirement that aid be provided with respect to dependent children in two-parent families.
Sec. 602. Special provisions for families headed by minor parents.

TITLE VII—BENEFIT IMPROVEMENTS

Sec. 701. Periodic re-evaluations of need and payment standards.
Sec. 702. Encouragement of States to increase FSP benefit levels.
Sec. 703. Study of new national approaches to welfare benefits for low-income families with children.

TITLE VIII—MISCELLANEOUS PROVISIONS

Sec. 801. Coordination of family support and food stamp policies.
Sec. 802. Uniform reporting requirements.
Sec. 803. State reports on expenditure and use of social service funds.
Sec. 804. Evaluation of education, training, and work programs and related programs.
Sec. 805. Demonstration program of grants to provide permanent housing for families that would otherwise require emergency assistance.
Sec. 806. Child support demonstration project in New York State.
Sec. 807. Demonstration of family independence program in Washington State.
Sec. 808. Study of housing problems of FSP families.
Sec. 809. Requirement of continued treatment for drug addiction or alcoholism as condition of eligibility.
Sec. 810. Inclusion of American Samoa in FSP program.
Sec. 811. Increase in limitation on payments to Puerto Rico, the Virgin Islands, and Guam.
Sec. 812. Technical and conforming amendments relating to replacement of AFDC program by family support program.

SEC. 2. AFDC REPLACED BY FAMILY SUPPORT PROGRAM.

The program under part A of title IV of the Social Security Act, heretofore known as the program of aid to families with dependent children, shall hereafter be known as the Family Support Program. The aid payable to needy families with dependent children in accordance with State plans approved under section 402 of such Act shall hereafter be called family support supplements, or aid in the form of family support supplements, as more specifically provided in the amendments made by this Act; and all references to "aid" under such plans shall hereafter (to the extent that they relate to periods on or after the date of the enactment of this Act) be deemed to be references to such aid in the form of family support supplements.

TITLE I—NATIONAL EDUCATION, TRAINING, AND WORK (NETWORK) PROGRAM

SEC. 101. ESTABLISHMENT OF NETWORK PROGRAM.

(a) STATE PLAN REQUIREMENT.—Section 402(a)(19) of the Social Security Act is amended to read as follows:

"(19) provide that the State has in effect and operation an education, training, and work program approved by the Secretary as meeting all of the requirements of section 416;".

(b) ESTABLISHMENT AND OPERATION OF STATE PROGRAMS.—Part A of title IV of such Act is amended by adding at the end thereof the following new section:

"NATIONAL EDUCATION, TRAINING, AND WORK PROGRAM

"SEC. 416. (a) PURPOSE.—It is the purpose of this section to assure that needy children and parents obtain the education, training, and employment which will help them avoid long-term welfare dependence.

"(b) ESTABLISHMENT AND OPERATION OF PROGRAMS.—(1) As a condition of its participation in the Family Support Program under this part, each State shall establish and operate an education, training, and work program which has been approved by the Secretary as meeting all of the requirements of this section, and shall make the program available in each political subdivision of the State where it is feasible to do so after taking into account the number of prospective participants, the local economy, and other relevant factors. The Secretary's approval shall be based on a plan setting forth and describing the program and estimating the number of persons to be served, which shall be submitted by the State on or before the effective date of this section and which, if the State has determined that the program is not to be available in all of its political subdivisions, shall include appropriate justification for that determination.

"(2) Each State education, training, and work program under this section shall include private sector and local government involvement in planning and program design to assure that participants are trained for jobs that will actually be available in the community.

"(3) The State agency which administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the operation and administration of the State's education, training, and work program under this section.

"(4) Federal funds made available to a State for purposes of the program under this section shall be used to augment and expand existing services and activities which promote the purpose of this section, and shall not in whole or in part replace or supplant any State or local funds already being expended for that purpose.

"(c) PARTICIPATION.—(1) Each adult recipient of family support supplements in the State who is not exempt under paragraph (4) shall be required to participate in the program under this section to the extent that the program is available in the political subdivision where he or she resides and State resources otherwise permit. The State agency shall take such action as may be necessary to ensure that each recipient of such supplements (including each such recipient who is exempt under paragraph (4)) is notified and fully informed concerning the education, training, and work opportunities offered under the program.

"(2) The State may require participation in the program under this section by recipients who are not exempt under paragraph (4) (hereinafter referred to as 'mandatory participants'), and shall also extend the opportunity to participate in the program to recipients who are exempt under paragraph (4) (hereinafter referred to as 'volunteers'). The State shall actively encourage volunteers to participate in the program, and shall from time to time furnish to the Secretary appropriate assurances that it is doing so.

"(3) With the objective of making the most effective possible use of the State's resources and identifying the families which most urgently need the services and activities provided under the program under this section, the program shall establish (and the plan submitted under subsection (b)(1) shall designate) specific target populations including—

"(A) families with a teenage parent, and families with a parent who was under 18 years of age when the first child was born;

"(B) families that have been receiving aid to families with dependent children or family support supplements continuously for two or more years; and

"(C) families with one or more children under 6 years of age.

For purposes of subparagraph (B), a family that has received aid to families with dependent children or family support supplements for at least 20 months out of any period of 24 consecutive months shall be treated as having received such aid or supplements continuously during that period.

"(4) The following are exempt from participation in the program under this section:

"(A) an individual who is ill, incapacitated, or 60 years of age or over;

"(B) an individual who is needed in the home because of the illness or incapacity of another family member;

"(C) the parent or other caretaker relative of a child under 3 years of age (subject to the last sentence of this paragraph); except that—

"(i) the State may not require participation in the program by a parent or other caretaker relative of a child who has attained 3 years of age but not 6 years of age unless day care is guaranteed to such relative and his or her participation is on a part-time basis,

"(ii) the State shall permit and encourage participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and other caretaker relatives of children who have not attained 3 years of age, where day care is guaranteed to the relative involved and his or her participation is on a part-time basis, and

"(iii) the Secretary may permit the State at its option to require participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and other caretaker relatives whose youngest child has attained 1 year of age but not 3 years of age if (I) the State demonstrates to the satisfaction of the Secretary that appropriate infant care for each such child who has not attained 3 years of age can be guaranteed within the applicable dollar limitations set forth in section 402(g)(1), and (II) such relative's participation will be on a part-time basis;

"(D) an individual who is working 20 or more hours a week;

"(E) a child who is under the age of 16 or attending, full time, an elementary, secondary, or vocational (or technical) school, except in the case of a minor parent with respect to whom the State has exercised its option under section 417(c);

"(F) a woman who is pregnant; and

"(G) an individual who resides in an area of the State where the program is not available.

In the case of a two-parent family to which section 407 applies, the exemption under subparagraph (C) shall apply only to one parent or other caretaker relative; but the State may at its option make such exemption inapplicable in any such case to both of the parents or relatives involved (and require their participation in the program, at least one of them on a full-time basis) if appropriate child care is guaranteed in accordance with the applicable provisions of such subparagraph.

"(5) If the caretaker relative or any dependent child in the family is already attending (in good standing) a school or a course of vocational or technical training designed to lead to employment at the time he or she would otherwise commence participation (as a mandatory participant or volunteer) in the program under this section, such attendance shall constitute satisfactory participation in the educational or training component of the program (by that caretaker or child) so long as it continues; and the family support plan (entered into under subsection (f)) shall so indicate. The costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403 (but this sentence shall not prevent the State from providing or making reimbursement for the cost of day care which is necessary for such attendance in accordance with section 402(g)(1)).

"(d) PRIORITIES.—(1) To the extent that the State's resources do not permit the inclusion in the program of all mandatory participants and volunteers, the selection of the families to whom services are to be provided under the program under this section shall be made (subject to subsection (l)(3) and paragraphs (2) and (3) of this subsection) in accordance with the following priorities:

"(A) First priority shall be given to volunteers who are described in subparagraphs (A), (B), and (C) of subsection (c)(3).

"(B) Second priority shall be given to mandatory participants who are described in subparagraphs (A), (B), and (C) of subsection (c)(3).

"(C) Third priority shall be given to mandatory participants (not described in subparagraph (B)) in families with older children.

"(D) Fourth priority shall be given to volunteers not described in subparagraph (A).

"(E) Fifth priority shall be given to all other mandatory participants.

For purposes of subparagraph (C), a family 'with older children' is a family in which the youngest child is within two years of being ineligible for family support supplements because of his or her age.

"(2) Among the mandatory participants described in subparagraph (B), (C), or (E) of paragraph (1), first consideration shall be given to those who actively seek to participate in the program.

"(3) In the case of a State which provides satisfactory assurances that it will make available the resources to serve all mandatory participants and volunteers within a 3-year period after the effective date of this section, paragraph (1) shall not apply until the expiration of such 3-year period.

"(e) ORIENTATION.—The State agency shall provide each applicant for family support supplements with orientation to the program under this section, including full information about the opportunities offered by the program and the obligations of participants in the program (and including descriptions of day care services and available health coverage transition options). Such orientation shall also be available at any time to recipients of family support supplements who did not receive orientation under this subsection at the time of their initial application for such supplements or who need additional information about the program.

"(f) ASSESSMENT AND FAMILY SUPPORT PLAN.—The State agency shall make an initial assessment of the educational needs, skills, and employability of each participant in the program under this section, including a review of the family circumstances and of the needs of the children as well as those of the adult caretaker; and on the basis of such assessment the State agency and the participating members of the family (or the adult caretaker with respect to any such participant who is a minor) shall negotiate a family support plan for the family. The family support plan shall set forth and describe all of the activities in which participants in the family will take part under the program, and shall, to the maximum extent possible and consistent with this section, reflect the respective preferences of such participants.

"(g) Agency-Client Agreement and Case Management.—(1) Following the initial assessment and the development of the family support plan with respect to any family under this section, the State agency and the participating members of the family (or the caretaker relative in the family with respect to participants who are minors) shall negotiate and enter into an agency-client agreement including a commitment by the participants (or caretaker) to participate in the program in accordance with the family support plan, specifying in detail the activities in which the participants will take part and the conditions and duration of such participation, and detailing all of the activities which the State will conduct and the services which the State will provide in the course of such participation. The participants (or caretaker) shall be given such assistance as may be required in reviewing and understanding the family support plan and the agency-client agreement.

"(2)(A) Each participant shall be guaranteed an opportunity for a fair hearing before the State agency in the event of a dispute involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of his or her participation in the program as specified therein, or any other aspect of such participation which is provided for under this section (including a dispute involving the imposition of sanctions under subsection (l) and the participant's right to conciliation before any such sanction is imposed); and the agency-client agreement shall so provide.

"(B) In no case shall any agency-client agreement entered into pursuant to this subsection give rise to a cause of action against the Federal Government or any officer or agency thereof if any party to such agreement fails to observe its terms.

"(3) The State agency shall assign to each participating family a member of the agency staff to provide case management services to the family; and the case manager so assigned shall be responsible for (A) obtaining or brokering, on behalf of the family, any other services which may be needed to assure the family's effective participation, (B) monitoring the progress of the participant, and (C) periodically reviewing and renegotiating the family support plan and the agency-client agreement as appropriate. Amounts expended in providing case management services under this paragraph shall be considered, for purposes of section 403(a)(3)(C), to be expenditures for the proper and efficient administration of the State plan.

"(h) Range of Services and Activities.—(1) In carrying out the program under this section, each State must make available a broad range of services and activities calculated to aid in carrying out the purpose of this section, specifically including (subject to the next to last sentence of this paragraph and to paragraph (2))—

"(A) high school or equivalent education (combined with training when appropriate) designed specifically for participants who do not have a high school diploma, except in the case of a participant who demonstrates a basic literacy level and whose family support plan identifies a long-term employment goal that does not require a high school diploma;

"(B) remedial education to achieve a basic literacy level, instruction in English as a second language, and specialized advanced education in appropriate cases;

"(C) group and individual job search as described in subsection (k);

"(D) on-the-job training;

"(E) skills training;

"(F) work supplementation programs as provided in subsection (i);

"(G) community work experience programs as provided in subsection (j);

"(H) job readiness activities to help prepare participants for work;

"(I) counseling, information, and referral for participants experiencing personal and family problems which may be affecting their ability to work;

"(J) job development, job placement, and follow-up services to assist participants in securing and retaining employment and advancement as needed; and

"(K) other education and training activities as determined by the State and allowed by regulations of the Secretary.

The State must in any event make available the services and activities described in subparagraphs (A), (B), (C), (E), (H), (I), and (J) along with the services and activities described in at least two of the remaining subparagraphs. The provisions of paragraphs (4) through (8) of this subsection shall apply with respect to all of the services and activities described in this subsection.

"(2) Any participant lacking a high school diploma shall be offered the opportunity to participate in a program which addresses the education needs identified in the participant's initial assessment, including high school or equivalent education designed specifically for participants who do not have a high school diploma, remedial education to achieve a basic literacy level, or instruction in English as a Second Language; and both the family support plan and the agency-client agreement shall so provide. Any other services or activities to which such a participant is assigned under the agreement may not be permitted to interfere with his or her participation in an appropriate education program under this paragraph.

"(3) Children in participating families who are not themselves participants in the program under this section shall be encouraged to take part in any of the education or training programs available under the program; and the State must also provide to such children additional services specifically designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills (including services provided under a demonstration program conducted pursuant to section 1115(b)(1)). Training activities in which such children participate may not, however, be permitted to interfere with their school attendance.

"(4)(A) Each assignment of a participant under the program shall be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of such participant.

"(B) Before assigning a participant to any activity under the program, the State shall assure that—

"(i) appropriate standards for health, safety, and other conditions are applicable to participation in such activity;

"(ii) the conditions of participation in such activity are reasonable, taking into account the geographic region, the residence of the participant, and the proficiency of the participant; and

"(iii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight.

"(5) No assignment under the program shall result in—

"(A) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

"(B) the employment or assignment of a participant or the filling of a position when (i) any other individual is on layoff from the same or any equivalent position, or (ii) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created with a participant subsidized under this section; or

"(C) any infringement of the promotional opportunities of any currently employed individual.

"(6) The wage rate for any position to which a participant is assigned shall be at least equal to the current pay scale for that position, or, if there is no current pay scale for that position, shall be at least equal to the greater of the applicable Federal or State minimum wage; and appropriate worker's compensation and tort claims protection shall be provided to all participants on the same basis as such compensation and protection are provided to other employed individuals in the State.

"(7)(A) Each State agency shall establish and maintain a grievance procedure for dealing with complaints about its programs and activities under this section from participants, subgrantees, subcontractors, and other interested persons. Hearings on any complaint shall be conducted within 30 days after the date on which the complaint is filed and a decision shall be made no later than 60 days after such date.

"(B) The decision of the State agency may be appealed to the Secretary under the procedures established in subparagraph (C), and the complaint itself may be appealed to the Secretary under such procedures if the State agency fails to make a decision within the prescribed 60-day period.

"(C)(i) Whenever an appeal to the Secretary, alleging that paragraph (4), (5), (6), or (8) has been violated, is made under subparagraph (B), a copy of the complaint shall be transmitted at the same time to the entity alleged to have committed the violation. An opportunity shall be afforded to such entity to review the complaint and to submit a reply to the Secretary within 15 days after receiving the copy of such complaint.

"(ii) An official who shall be designated by the Secretary shall review any complaint submitted in accordance with clause (i), and conduct such investigation as may be necessary, to ascertain the accuracy of the information set forth or alleged and to determine whether there is substantial evidence that the affected activities fail to comply with paragraph (4), (5), (6), or (8). Such official shall report his findings and recommendations to the Secretary within 60 days after commencing the review and investigation.

"(iii) The Secretary, within 45 days after receiving the report under clause (ii) shall issue a final determination as to whether a violation of paragraph (4), (5), (6), or (8) has occurred.

"(iv) The Secretary shall institute proceedings to compel the repayment of any funds determined to have been expended in violation of paragraph (4), (5), (6), or (8).

"(D) The existence of the remedies provided by this section shall not preclude any person who alleges that an action of a State agency violates any of the provisions of this section from instituting a civil action or pursuing any other remedy authorized under Federal, State, or local law.

"(8) The State may not require a participant in the program to accept a position under the program (as work supplementation or otherwise) if accepting the position would result in a net loss of income (including the insurance value of any health benefits) to the participant or his or her family.

"(9) Program activities under this section shall be coordinated in each State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in that State. Appropriate components of the State's plan developed under subsection (b)(1) which relate to job training and workplace preparation shall be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under section 121 of the Job Training Partnership Act. The State plan so developed shall be submitted to the State job training coordinating council not less than 90 days prior to its submission to the Secretary, for the purpose of review and comment by the council on those provisions of the plan related to delivery of job training services and of coordinating activities under this section with similar activities under the Job Training Partnership Act.

"(10) Program activities under this section shall be coordinated in each State with existing early childhood education programs in that State.

"(11) In carrying out the program under this section, the State may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities made available under the program.

"(i) WORK SUPPLEMENTATION PROGRAMS.—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums which would otherwise be payable to participants in the program under this section as family support supplements under the State plan approved under this part and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C)(i) and (ii)), as an alternative to the supplements which would otherwise be so payable to them under such plan.

"(2)(A) Notwithstanding any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this subsection.

"(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection.

"(C) Notwithstanding any other provision of law, a State may adjust the levels of the standards of need under the State plan to the extent the State determines such adjustments to be necessary and appropriate for carrying out a work supplementation program under this subsection.

"(D) Notwithstanding any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients of family support supplements may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

"(E) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of the family support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part), to the extent the State determines such adjustments to be necessary and appropriate to further the purposes of the work supplementation program.

"(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

"(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection may reduce or eliminate the amount of earned income to be disregarded under the State plan to the extent the State determines such a reduction or elimination to be necessary and appropriate to further the purposes of the work supplementation program.

"(3)(A) A work supplementation program operated by a State under this subsection shall provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or employers under the program shall be treated as expenditures incurred by the State for family support supplements under the State plan for purposes of section 403(a) (1) and (2), except as limited by paragraph (4).

"(B) For purposes of this subsection, an eligible individual is an individual (not exempt under subsection (c)(4)) who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of his or her placement in the job involved, be eligible for family support supplements under the State plan if such State did not have a work supplementation program in effect.

"(C) For purposes of this subsection, a supplemented job is—

"(i) a job provided to an eligible individual by the State or local agency administering the State plan under this part; or

"(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job under the program under this section which such State determines to be appropriate.

"(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of such individual for any month, or which would be so payable but for the family's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

"(E) Paragraphs (4) through (8) of subsection (h) shall apply with respect to assignments of eligible individuals to supplemented jobs under this subsection.

"(4) The amount of the Federal payment to a State under section 403(a) for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under paragraph (1) or (2) of such section if the family of each individual employed in the program had received the maximum amount of family support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program. Expenditures so incurred shall be considered to have been made for family support supplements under the State plan for purposes of section 403(a) (1) and (2).

"(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity, during the first 13 weeks such individual fills that position.

"(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

"(6) Any State which chooses to operate a work supplementation program under this subsection must provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for family support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving family support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

"(j) Community Work Experience Programs.—(1)(A) Any State which chooses to do so may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments. Participants in a program under this subsection may not fill established unfilled position vacancies.

"(B) A State which elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either—

"(i) works and undergoes training for a period not exceeding 6 months, with the maximum number of hours that any such individual may be required to work and undergo training in any month being a number equal to the amount of the family support supplements payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the current hourly pay scale for the position in which the participant works, or (if there is no current pay scale for that position) by the greater of the applicable Federal or State minimum wage (and the portion of a recipient's benefit for which the State is reimbursed by a child support payment shall not be taken into account in determining the number of hours that such individual may be required to work); or

"(ii) performs unpaid work experience and training (for a combined total of not more than 30 hours a week) for a period not exceeding 3 months.

Paragraphs (4) through (7) of subsection (h) shall apply with respect to the assignment of participants to positions under this section.

"(C) Nothing contained in this subsection shall be construed as authorizing the payment of family support supplements under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

"(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection.

"(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

"(F) If at the conclusion of his or her participation in a community work experience program the individual has not become employed, a reassessment with respect to such individual shall be made and a new family support plan developed as provided in subsection (f). In no event shall any individual who has completed the work and training activities described in clause (i) of subparagraph (B), or the work experience and training activities described in clause (ii) of such subparagraph, be required to repeat such activities or be reassigned to perform work or undergo training under either such clause.

"(2) The State shall provide coordination between a community work experience program operated pursuant to this subsection, any program of job search under subsection (k), and the other work-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program.

"(3) In the case of any State which makes expenditures in the form described in paragraph (1) under its State plan approved under section 402, expenditures for the provision of training under a program under this subsection, for purposes of section 403(a)(4) (and expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3)), may not include the cost of making or acquiring materials or equipment in connection with such training services or the cost of supervision of work or training under such program, and may include only such other costs attributable to such program as are permitted by the Secretary.

"(k) JOB SEARCH.—(1) The State agency shall establish and carry out a program of job search for applicants and participants in the program under this section.

"(2) Participants in the program under this section shall be encouraged and may be required to take part in job search under this subsection, at such times, for such periods, and in such manner as the State agency determines (in each particular case) will be most effective in serving the special needs and interests of the individual involved and in carrying out the purpose of this section. Job search by an applicant may be required or provided for while his or her application is being processed; and job search by a participant may be required or provided for after his or her initial assessment, after his or her education or training, and at other appropriate times during his or her participation in the program under this section, as may be set forth in the agency-client agreement entered into between such individual and the State agency under subsection (g)(1) and as otherwise provided by the State agency. No requirement imposed by the State under the preceding provisions of this paragraph may be used as a reason for any delay in making a determination of an individual's eligibility for family support supplements or in issuing a payment to or on behalf of any individual who is otherwise eligible for such supplements.

"(3) Participation by an individual in job search under this subsection, without participation in one or more other services or activities offered under the program under this section, shall not be sufficient to qualify as participation in the program for any of the purposes of this section after it has continued for 8 weeks or longer without the individual obtaining a job. In any such case (after 8 weeks of job search without obtaining a job) the individual must engage in training, education, or other activities designed to improve his or her prospects for employment; and the family support plan developed under subsection (f) shall so provide.

"(l) SANCTIONS.—(1) If any mandatory participant in the program under this section fails without good cause to comply with any requirement imposed with respect to his or her participation in such program—

"(A) the needs of such participant (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7), and

"(B) if such participant is a member of a family which is eligible for family support supplements by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination.

The sanction described in subparagraph (A) (and the sanction described in subparagraph (B) if applicable) shall continue until the participant's failure to comply ceases; except that such sanction shall continue for a minimum of 3 months if the failure to comply is the participant's second or a subsequent such failure.

"(2) No sanction shall be imposed under paragraph (1) until appropriate notice thereof has been provided to the participant involved, and until conciliation efforts have been made to discuss and resolve the participant's failure to comply and to determine whether or not good cause for such failure existed. In any event, when a failure to comply has continued for 3 months the State agency shall promptly remind the participant in writing of his or her option to end the sanction by terminating such failure.

"(3) If a volunteer drops out of the program under this section after having commenced participation in such program, he or she shall thereafter be given no priority under subsection (d).

"(m) REGULATIONS.—Within 6 months after the date of the enactment of this section, the Secretary shall issue proposed regulations for the purpose of implementing and carrying out the program under this section, including regulations establishing uniform data collection requirements; and within 9 months after such date the Secretary shall publish final regulations for that purpose. Regulations under this subsection shall be developed by the Secretary in consultation with the responsible State agencies described in subsection (b)(3).

"(n) PERFORMANCE STANDARDS.—(1) Within one year after the date of the enactment of this section, the Secretary, in consultation with the Congress, the Secretary of Labor, the States and localities, educators, and other interested persons, shall develop and publish performance standards for the program under this section. Such standards shall at a minimum—

"(A) provide methods for measuring the degree to which States are targeting their programs to those individuals within each priority group (as described in subsection (d)) who will have the most difficulty finding employment;

"(B) provide methods for determining whether States are providing intensive services under the program, tailored to the individual needs of participants and fully calculated to produce self-sufficiency;

"(C) provide methods for measuring the degree to which States are placing strong emphasis on participation by volunteers among the priority groups described in subsection (d);

"(D) measure the cost effectiveness of the employment portion of the program and the welfare savings that result from the program;

"(E) establish expectations for placement rates, including the minimum rate at which participants within each priority group (as described in subsection (d)) are to be placed in jobs or complete their education or both;

"(F) take into account the extent to which the program results in job retention by participants, case closures, educational improvements, and placement in jobs that provide health benefits;

"(G) give appropriate recognition to the likelihood that unemployment and other economic factors will influence the success of the employment program; and

"(H) take into account such other factors as are deemed important.

The performance standards so developed and published shall be periodically reviewed by the Secretary and modified (in consultation with the Congress) to the extent necessary to reflect the continuing implementation of the program.

"(2) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for modifying the rate of the Federal payments to States under section 403(a)(4) so as to reflect the relative effectiveness of the various States in carrying out the program under this section and achieving its purpose.

"(o) CONTINUING EVALUATION.—The Secretary shall provide for the continuing evaluation of the programs established under this section by the several States, including their effectiveness in achieving the purpose of this section and their impact on other related programs. The Secretary shall also—

"(1) provide for the conduct of research on ways to increase the effectiveness of such programs, including research on—

"(A) the effectiveness of giving priority to volunteers,

"(B) appropriate strategies for assisting two-parent families,

"(C) the wage rates of individuals placed in jobs as a result of such programs,

"(D) the approaches that are most effective in meeting the needs of specific groups and types of participants (such as teenage parents, older parents, and families including disabled persons), and

"(E) the effect of targeting on families which include children below 6 years of age; and

"(2) provide technical assistance to States, localities, schools, and employers who may participate in the programs and who request or require such assistance.

"(p) UNIFORM REPORTING REQUIREMENTS.—The Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may need to ensure that the purposes and provisions of this section are being effectively carried out, including at a minimum the average monthly number of families participating in the program under this section, the types of such families, the amounts expended under the program (as family support supplements and otherwise) with respect to such families, and the length of time for which such families are assisted. The information and data so furnished shall be separately stated with respect to each of the services and activities enumerated in subsection (h) and with respect to each of the activities described in subsections (i), (j), and (k).".

SEC. 102. RELATED SUBSTANTIVE AMENDMENTS.

(a) FEDERAL MATCHING RATES.—(1) Section 403(a) of the Social Security Act is amended by inserting after paragraph (3) the following new paragraph:

"(4) in the case of any State, an amount equal to 65 percent of the total amount expended during such quarter for education and training under the program established pursuant to section 416; and".

(2) Section 403(a)(3) of such Act is amended—

(A) by striking out "and" after the comma at the end of subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (D); and

(C) by inserting after subparagraph (B) the following new subparagraph:

"(C) one-half of so much of such expenditures as are incurred in connection with the administration of the education, training, and work program under section 416, and".

(b) DEMONSTRATION AUTHORITY: PROJECTS TO ENCOURAGE INNOVATIVE EDUCATION AND TRAINING PROGRAMS FOR CHILDREN, TO TEST THE EFFECT OF EARLY CHILDHOOD DEVELOPMENT PROGRAMS, AND TO TEST THE ELIMINATION OF THE 100-HOUR RULE UNDER THE AFDC-UP PROGRAM.—Section 1115 of such Act is amended—

(1) by inserting "(1)" before "In the case of" in subsection (a);

(2) by striking out "(1) the Secretary" and "(2) costs" in subsection (a) and inserting in lieu thereof "(A) the Secretary" and "(B) costs", respectively;

(3) by striking out subsection (b);

(4) by redesignating subsection (c) as paragraph (2) of subsection (a), and in such subsection as so redesignated by striking out "subsection (a)", "(1)", "(2)", and "(3)" and inserting in lieu thereof "paragraph (1)", "(A)", "(B)", and "(C)", respectively; and

(5) by adding at the end thereof the following new subsection:

"(b)(1) In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

"(2)(A) In order to test the effect of in-home early childhood development programs and pre-school center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 and participating in the education, training, and work program under section 416, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 3 years.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

"(C) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this paragraph, after such project has been carried out for one year and again when such project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this paragraph.

"(3)(A) In order to permit States to test whether (and the extent to which) eliminating the 100-hour rule under section 407, and requiring parents under that section to accept any reasonable job offers while preserving the eligibility of their families for aid under the applicable State plan approved under section 402, would effectively encourage such parents to enter the permanent work force and thereby significantly reduce program costs, up to 5 States and localities may undertake and carry out demonstration projects under which—

"(i) each parent receiving aid pursuant to section 407 is required to accept any reasonable full- or part-time job which is offered to him or her, without regard to the amount of the parent's resulting earnings as compared to the level of the family's aid under the applicable State plan, and

"(ii) the family's eligibility under the plan is preserved notwithstanding the parent's resulting earnings, so long as such earnings (after the application of section 402(a)(8)) do not exceed the applicable State standard of need, without regard to the 100-hour rule or any other durational standard that might be applied in defining unemployment for purposes of determining such eligibility.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

"(C) Each demonstration project approved under this paragraph shall provide for the payment of aid under the applicable State plan, as though section 407 had been modified to reflect the provisions of clauses (i) and (ii) of subparagraph (A) but shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and any related requirements and conditions under part A of title IV); and each such project shall meet such other requirements and conditions as the Secretary shall prescribe.

"(4)(A) Any demonstration project undertaken pursuant to this subsection—

"(i) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

"(ii) may not permit modifications in any program which would have the effect of disadvantaging children in need.

"(B) There are authorized to be appropriated such sums as may be necessary to enable the Secretary to make grants with respect to the demonstration projects which are provided for under any of the preceding paragraphs of this subsection (and for which an authorization in specific dollar amounts is not included in the paragraph involved).".

SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.

(a) In Part A of Title IV.—(1) Section 402(a)(8)(A)(iv) of the Social Security Act is amended by striking out "(but excluding" and all that follows and inserting in lieu thereof a semicolon.

(2) Section 402(a)(9)(A) of such Act is amended by striking out "B, C, or D" and inserting in lieu thereof "B or D".

(3) Section 402(a)(35) of such Act is repealed.

(4) Section 403(a)(3) of such Act is amended—

(A) by striking out all of subparagraph (D) (as redesignated by section 102(a)(2) of this Act) which follows "such expenditures" and inserting in lieu thereof a comma; and

(B) by striking out all that follows "section 2002(a) of this Act" in the matter following such subparagraph and inserting in lieu thereof "other than services furnished under section 416 or under section 402(g); and".

(5) Section 403(c) of such Act is repealed.

(6) Section 403(d) of such Act is repealed.

(7) Section 407(b)(2)(A) of such Act is amended by striking out "will be certified" and all that follows down through "within 30 days" and inserting in lieu thereof "will participate or apply for participation in the national education, training, and work program under section 416 within 30 days".

(8) Section 407(b)(2)(C)(i) of such Act is amended by striking out ", unless exempt" and all that follows down through "is not registered" and inserting in lieu thereof "is not currently participating in the national education, training, and work program under section 416, unless such parent is exempt under section 416(c)(4), or, if such parent is exempt under such section 416(c)(4) and has not volunteered for such participation as described in section 416(c)(2), is not registered".

(9) Section 407(c) of such Act is amended by striking out "to certify such parent" and all that follows and inserting in lieu thereof "to participate in the national education, training, and work program under section 416.".

(10) Section 407(d)(1) of such Act is amended by striking out "under section 409" and all that follows and inserting in lieu thereof "under section 416(j);".

(11) Section 407(e) of such Act is repealed.

(12) Section 409 of such Act is repealed.

(13) Section 414 of such Act is repealed.

(b) In Other Provisions.—(1) Section 471(a)(8)(A) of such Act is amended by striking out "A, B, C, or D" and inserting in lieu thereof "A, B, or D".

(2) Section 1108(b) of such Act is amended by striking out "section 402(a)(19)" and inserting in lieu thereof "section 416".

(3) Section 1902(a)(10)(A)(i)(I) of such Act is amended by striking out "section 414(g)" and inserting in lieu thereof "section 416(i)(6)".

SEC. 104. EFFECTIVE DATE.

The amendments made by this title shall become effective October 1, 1989; except that—

(1) if any State theretofore makes the changes in its State plan approved under section 402 of the Social Security Act which are required in order to carry out such amendments, and formally notifies the Secretary of Health and Human Services of its desire to become subject to such amendments as of the first day of any calendar quarter beginning on or after the date on which the

proposed regulations of the Secretary of Health and Human Services are published under section 416(m) of such Act and before October 1, 1989, such amendments shall become effective with respect to that State as of such first day;

(2) subsections (m), (n), (o), and (p) of section 416 of the Social Security Act (as added by section 101(b) of this Act) shall be effective on the date of the enactment of this Act; and

(3) section 1115(b)(3) of the Social Security Act (as added by section 102(b) of this Act) shall become effective October 1, 1987.

TITLE II—DAY CARE, TRANSPORTATION, AND OTHER WORK-RELATED EXPENSES

SEC. 201. PAYMENT OF EXPENSES BY STATES.

(a) IN GENERAL.—(1) Section 402 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(g)(1)(A) Each State shall, for each family, either—

"(i) provide day care for each dependent child, and incapacitated individual living in the same home as a dependent child, receiving family support supplements under the State plan and requiring such care, or

"(ii) reimburse the caretaker relative in the family (in advance whenever possible) for the costs of such care incurred in any month,

if and to the extent that such care (or reimbursement for the costs thereof) is determined by the State agency to be (I) directly related to an individual's participation in work, education, or training (including participation as a mandatory participant or volunteer in the program under section 416, and including participation in other work, education, or training by individuals who are not participating in such program by reason of exemptions granted under any of the subparagraphs in section 416(c)(4)), (II) reasonably necessary for such participation, and (III) cost-effective. Amounts expended under the preceding provisions of this subsection (in providing day care directly, or in making reimbursement for the costs of such care), to the extent that such amounts do not exceed $175 per month for any child age 2 or over or $200 per month for any infant under age 2, shall be considered, for purposes of section 403(a)(1) and (2), to be amounts expended as aid in the form of family support supplements under the State plan (and Federal contributions may be made under section 403(a) with respect to amounts so expended only to that extent).

"(B) No amount shall be expended under subparagraph (A) for any child care services involving more than 2 children at the same time unless such services meet applicable standards of State and local law, and in any event unless such services meet standards, established by the State, which at a minimum ensure basic health and safety protections.

"(C) Reimbursement for the costs of day care under subparagraph (A)(ii) may be accomplished through contracts or certificates, or through the disregarding of such costs from the earned income of the family (within the applicable dollar limitations set forth in subparagraph (A)) as though such disregarding were specifically provided for in section 402(a)(8) immediately after the disregards provided for in clauses (ii) and (iii) thereof (and were applied to both applicants and recipients but only with respect to earned income not otherwise disregarded under the preceding provisions of that section). No change made by a State in its method of reimbursing day care costs may have the effect of disadvantaging individuals or families receiving aid under the State plan on the date of the enactment of this subsection, by reducing their income or otherwise.

"(D) For purposes of the first sentence of subparagraph (A), day care shall be considered 'cost-effective' only if it is furnished within the applicable dollar limitations set forth in the second sentence of such subparagraph; but nothing in this subsection shall be construed as preventing any State from making reimbursement from its own funds (without any Federal contribution under section 403(a)) for day care which is not furnished within such limitations.

"(2)(A) In the case of an individual participating in the program of education, training, and work under section 416 (including participation in the form of job search under subsection (k) thereof), the State (in addition to providing day care or reimbursing the costs thereof as provided in paragraph (1)) shall reimburse the participant (in advance whenever possible) for transportation and other work-related costs incurred in any month, in an amount (subject to subparagraph (B)) not exceeding the dollar amount then in effect (for purposes of disregarding earned income) under section 402(a)(8)(A)(ii).

"(B) In the case of a participant who must travel 100 miles or more to reach his or her education or training site under the program, the reimbursement for transportation and other work-related costs under subparagraph (A) may be in an amount up to twice the dollar amount referred to in that subparagraph.

"(3) The Federal contribution with respect to day care, transportation, and other work-related costs incurred by a State under this subsection shall be determined under section 403(a)(1) or (2) as though such costs had been incurred in paying aid in the form of family support supplements, rather than under section 403(a)(3) or (4).

"(4) The value of any day care provided (or any amount received as reimbursement for day care costs incurred) under paragraph (1)—

"(A) shall not be treated as income of any person for purposes of any other Federal or federally-supported program which bases eligibility for or the amount of benefits upon need, and

"(B) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.".

(b) CONTINUATION AFTER ELIGIBILITY FOR AID CEASES.—(1) Subparagraph (A) of section 402(g)(1) of such Act (as added by subsection (a) of this section) is amended by inserting after the first sentence the following new sentence: "The caretaker relative of any dependent child or incapacitated individual whose family ceases to be eligible for family support supplements under the State plan as of the close of any month (if at that time the family has earnings) shall continue to be entitled to reimbursement for the costs of any day care (subject to the applicable dollar limitations specified in the succeeding sentence) which is determined by the State agency to be reasonably necessary for his or her employment, for a period of 6 months after the close of such month, under a sliding scale formula established by the State which shall be based on the family's ability to pay (and under which such applicable dollar limitations are appropriately reduced to reflect such ability).".

(2) Subparagraph (D) of section 402(g)(1) of such Act (as so added) is amended by striking out "second" and inserting in lieu thereof "third".

(c) DEMONSTRATION AUTHORITY: PROJECTS TO ENCOURAGE STATES TO EMPLOY AFDC MOTHERS AS PAID DAY CARE PROVIDERS, AND TO TEST THE EFFECT OF A LARGER EXCLUSION OF AUTOMOBILES FROM RESOURCES.—Section 1115(b) of such Act (as added by section 102(b) of this Act) is amended by redesignating paragraph (4) as paragraph (6), and by inserting after paragraph (3) the following new paragraphs:

"(4)(A) In order to encourage States to employ or arrange for the employment of parents (of dependent children receiving aid under State plans approved under section 402(a)) as providers of day care for other children receiving such aid, including any training which may be necessary to prepare the parents for such employment, up to 5 States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the education, training, and work program under section 416 by making additional day care services available to meet the requirements of section 402(g)(1) while affording significant numbers of families receiving such aid a realistic opportunity to avoid welfare dependence.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to those States whose applications are approved to assist them in carrying out such projects. Each project under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe.

"(5)(A) In order to test the effect of increasing the maximum excludable value of automobiles under State plans approved under section 402, up to 5 States may undertake and carry out demonstration projects under which the resources of any individual are determined as though the amount prescribed by the Secretary under section 402(a)(7)(B) with respect to such individual's excludable ownership interest in an automobile were the same as the amount that would be excluded or disregarded in similar circumstances under the Food Stamp Act of 1977 (and such section 402(a)(7)(B) shall be deemed to have been modified accordingly for purposes of any such project). Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 5 years.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects. Both urban and rural States must be included among the States whose applications are approved.".

SEC. 202. DEVELOPMENT OF NEW CHILD CARE RESOURCES.

Each State agency administering the education, training, and work program under section 416 of the Social Security Act shall regularly assess the availability and reliability of the child care services which are available to participants in such program, and shall take such action as may be necessary or appropriate—

(1) to develop new child care resources as the need may indicate; and

(2) to ensure the coordination of child care provided under section 402(g)(1) of the Social Security Act with other child care programs, including child development programs.

The actions required under the preceding sentence shall be taken by the State agency in cooperation with the agency of the State having jurisdiction over the provision of child care services, and shall reflect and take full account of the information set forth in the reports submitted by the State under section 2006(c) of the Social Security Act (as added by section 803 of this Act).

SEC. 203. EFFECTIVE DATE.

The amendments made by this title shall become effective October 1, 1987; except that—

(1) if the legislature of any particular State is not in regular session on the date of the enactment of this Act, and State legislation is required to provide the funds needed to carry out the amendments made by this title (or otherwise to implement such amendments) in that State, such amendments shall become effective with respect to that State on the first day of the first fiscal year which begins after the legislature has subsequently convened for a regular session during which a budget is (or is scheduled to be) adopted by the State; and

(2) section 402(g)(2) of the Social Security Act (as added by section 201(a) of this Act) shall become effective on the date on which the amendment made by section 101(b) of this Act becomes effective.

TITLE III—REAL WORK INCENTIVES

SEC. 301. CHANGES IN EARNED INCOME DISREGARDS.

(a) IN GENERAL.—Section 402(a)(8) of the Social Security Act (as amended by section 103(a)(1) of this Act) is further amended to read as follows:

"(8)(A) provide (subject to subsection (g)(1)(C)) that, with respect to any month, in making the determination under paragraph (7), the State agency—

"(i) shall disregard all of the earned income of each dependent child receiving family support supplements who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to prepare him or her for gainful employment;

"(ii) shall disregard from the earned income of any child or relative applying for or receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $100 of the total of such earned income for such month;

"(iii) shall disregard from the earned income of any child or relative receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to 25 percent of the total of such earned income not disregarded under any other clause of this subparagraph;

"(iv) shall disregard the first $50 of any child support payments received in such month with respect to the dependent child or children in any family applying for or receiving family support supplements (including support payments collected and paid to the family under section 457(b));

"(v) may disregard the income of any dependent child or minor parent applying for or receiving family support supplements which is derived from a program carried out under the Job Training Partnership Act, but only in such amounts and for such period of time (not to exceed 6 months with respect to earned income) as the Secretary may provide in regulations;

"(vi) may disregard all or any part of the earned income of a dependent child who is a full-time student and who is applying for family support supplements, but only if the earned income of such child is excluded for such month in determining the family's total income under paragraph (18); and

"(vii) shall disregard any refund of Federal income taxes made to a family receiving family support supplements by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income credit) and any payment made to such a family by an employer under section 3507 of such Act (relating to advance payment of earned income credit); and

"(B) provide that (with respect to any month) the State agency shall not disregard, under clause (ii) or (iii) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

"(i) terminated his or her employment or reduced his or her earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary;

"(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he or she is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after consulting with the employer, to be a bona fide offer of employment; or

"(iii) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month;".

(b) Increases in Amounts To Be Disregarded.—(1) Section 402 of such Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(h)(1) Any State may at its option increase the dollar amount under clause (ii) or (iv) of subsection (a)(8)(A) or the percentage figure under clause (iii) of such subsection (or increase both of such dollar amounts, or either or both of such dollar amounts as well as such percentage figure), effective on the first day of any calendar quarter beginning on or after the effective date of this subsection, so long as such increase (or the combination of such increases) does not have the effect of permitting a family to be eligible for aid under the State plan for any month in violation of subsection (a)(18).

"(2) Whenever benefit amounts under title II are increased by any percentage effective with any month as a result of a determination made under section 215(i), the dollar amount under subsection (a)(8)(A)(ii), as specified therein or as previously increased under paragraph (1) of this subsection or this paragraph, shall be increased by the same percentage (and rounded, when not a multiple of $1, to the next lower such multiple), effective on the first day of the following month; but no increase under this paragraph shall be effective to the extent that it would permit a family to be eligible for aid under the State plan for any month in violation of subsection (a)(18).".

(2) Section 457(b)(1) of such Act is amended by inserting after "monthly support payments" the following: "(or such larger portion of the amounts so collected as the State may have established, for purposes of section 402(a)(8)(A)(iv), under section 402(h)(1))".

(c) Conforming Amendment.—Section 402(d) of such Act is repealed.

SEC. 302. EFFECTIVE DATE.

The amendments made by section 301 shall be effective on and after October 1, 1988; except that if the legislature of any particular State is not in regular session on the date of the enactment of this Act, and State legislation is required to provide the funds needed to carry out the amendments made by section 301 (or otherwise to implement such amendments) in that State, such amendments shall become effective with respect to that State on the first day of the first fiscal year which begins after the legislature has subsequently convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

TITLE IV—TRANSITIONAL SERVICES FOR FAMILIES

SEC. 401. MEDICAID ELIGIBILITY.

Section 402(a) of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by striking out paragraph (37), and by inserting after paragraph (36) the following new paragraph:

"(37) provide that if any family ceases to receive family support supplements under the State plan as of the close of any month (and at that time has earnings), such family shall be treated for purposes of title XIX as continuing to receive such supplements for a period of 6 months after the close of such month; except that (A) this paragraph shall not apply if the family's eligibility for such supplements was terminated because of fraud or the imposition of a sanction, (B) if at any time during such 6-month period—

"(i) the family ceases to include a child who is (or would if needy be) a dependent child, or

"(ii) any member of the family terminates his or her employment or reduces his or her earned income without good cause or refuses without good cause to accept employment, or fails to cooperate with the State in establishing paternity or obtaining support or other payments as required by paragraph (26)(B),

such period shall automatically end (as of the close of the last month in which the family included such a child or at the close of the month in which such termination, refusal, or failure occurred), and (C) such 6-month period shall include, and not be in addition to, any period during which the family remains eligible for assistance under such title XIX (after becoming ineligible for family support supplements) under section 406(h) or 1902(e);".

SEC. 402. EFFECTIVE DATE.

The amendment made by section 401 shall apply with respect to families that cease to be eligible for family support supplements on or after October 1, 1988; except that if the legislature of any particular State is not in regular session on the date of the enactment of this Act, and State legislation is required to provide the funds needed to carry out the amendment made by section 401 (or otherwise to implement such amendment) in that State, such amendment shall apply in that State only with respect to families that cease to be so eligible on or after the first day of the first fiscal year which begins after the legislature has subsequently convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

TITLE V—CHILD SUPPORT ENFORCEMENT AMENDMENTS

SEC. 501. STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS.

(a) AUTOMATIC UPDATING OF GUIDELINES.—Section 467(a) of the Social Security Act is amended by striking out "guidelines for child support award amounts within the State" and all that follows and inserting in lieu thereof the following: "guidelines for child support award amounts within the State, along with procedures for the periodic review and updating of all child support orders in accordance with the procedures described in section 466(a)(10). The guidelines may be established by law or by judicial or administrative action, and must be reviewed and updated if necessary at least once every three years.".

(b) GUIDELINES TO CREATE REBUTTABLE PRESUMPTION.—Section 467(b) of such Act is amended—

(1) by inserting "(1)" after "(b)";

(2) by striking out ", but need not be binding upon such judges or other officials"; and

(3) by adding at the end thereof the following new paragraph:

"(2) There shall be a rebuttable presumption, in any judicial or administrative proceeding for the award of child support, that the amount of the award which would result from the application of such guidelines is the correct amount of child support to be awarded. A written finding or specific finding on the record that the application of the guidelines would be unjust or inappropriate in a particular case shall be sufficient to rebut the presumption in that case.".

(c) STATE LAW REQUIREMENTS.—Section 466(a) of such Act is amended by inserting immediately after paragraph (9) the following new paragraph:

"(10) Procedures (including expedited procedures of the type described in paragraph (2)) requiring—

"(A) the uniform application of the guidelines established under section 467, and

"(B) the updating of child support orders at least once every two years on the basis of the reapplication of the State's child support guidelines to the current circumstances of the parties in accordance with the due process requirements of the State, including at a minimum the provision to both parties of all information necessary to determine a new award level under the guidelines and notice and opportunity for a hearing if desired by either party (but nothing in this paragraph or in such procedures shall require the lowering of any support award fixed by contract between the parties).".

SEC. 502. ESTABLISHMENT OF PATERNITY.

(a) In General.—(1) Section 466(a)(5) of the Social Security Act is amended by inserting "(A)" after "(5)", and by adding at the end thereof the following new subparagraph:

"(B) Procedures under which the State is required (except in cases where the individual involved has been found under section 402(a)(26)(B) to have good cause for refusing to cooperate)—

"(i) to establish the paternity of every child within the State who is a member of a family receiving aid under the State plan approved under section 402(a), as soon as possible after such child's birth but in any event prior to such child's eighteenth birthday;

"(ii) to require the child and all other parties, in a contested paternity case, to submit to genetic tests upon the request of any such party; and

"(iii) to use a 95-percent probability index from blood tests as a rebuttable presumption of paternity.".

(2) In the administration of the child support enforcement program under part D of title IV of the Social Security Act, each State is encouraged to establish and implement a simple civil process for voluntarily acknowledging paternity and a civil procedure for establishing paternity in contested cases.

(3) A State shall be deemed to have satisfied the requirement of section 466(a)(5)(B)(i) of the Social Security Act in the fiscal year 1989 if the number of cases in which paternity is established in that State in that fiscal year is at least 50 percent higher than the number of such cases in the fiscal year 1986, and to have satisfied such requirement in any of the 4 fiscal years following the fiscal year 1989 if the number of cases in which paternity is established in that State in that fiscal year is at least 15 percent higher than the number of such cases in the preceding fiscal year.

(4) As of August 16, 1984, the requirements of section 466(a)(5)(A) of the Social Security Act (as designated by paragraph (1) of this subsection) apply to any child for whom paternity has not yet been established and any child for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.

(b) Imputation of Support in Computing Incentive Payments.—Section 458(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) In determining the State's combined FSP/non-FSP administrative costs for any fiscal year under this section, the State shall be deemed to be collecting support in the amount of $100 a month, for a period of up to 12 months, in every case in which paternity has been established but actual collections have not commenced or the amount being actually collected is less than $100 a month.".

SEC. 503. DEMONSTRATION PROJECTS TO ADDRESS VISITATION AND CUSTODY PROBLEMS.

Section 1115(b) of the Social Security Act (as added and amended by the preceding provisions of this Act) is further amended by redesignating paragraph (6) as paragraph (7), and by inserting after paragraph (5) the following new paragraph:

"(6)(A) In order to encourage States to identify the problems arising in connection with visitation by absent parents and to address problems involving child custody, to determine the magnitude of such problems, and to test possible solutions thereto (including but not limited to the creation of special staffs of mediators to deal with disputes involving court-ordered child access privileges or custody), any State may establish and conduct one or more demonstration projects in accordance with such terms, conditions, and requirements as the Secretary shall prescribe (except that no such project may include the withholding of child support payments pending visitation). No such project shall be conducted for a period of more than 3 years.

"(B) The Secretary may make grants to any State, in amounts not exceeding $5,000,000 per year, to assist in financing the project or projects established by such State under this paragraph.".

SEC. 504. DISREGARDING OF CHILD SUPPORT PAYMENTS FOR FSP PURPOSES.

(a) **In General.**—Clause (iv) of section 402(a)(8)(A) of the Social Security Act (as amended by section 301(a) of this Act) is further amended by striking out "of any child support payments received in such month" and inserting in lieu thereof the following: "of any child support payment received in such month which was due for that month, and the first $50 of any child support payment received in such month which was due for a prior month if such payment was timely made when due by the absent parent,".

(b) **Conforming Amendment.**—Section 457(b)(1) of such Act (as amended by section 301(b)(2) of this Act) is further amended by inserting immediately before "shall be paid" the following: ", including a payment received in one month which was due for a prior month if it was timely made when due by the absent parent,".

SEC. 505. REQUIREMENT OF PROMPT STATE RESPONSE TO REQUESTS FOR CHILD SUPPORT ASSISTANCE.

(a) **In General.**—Section 452 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(g) The standards required by subsection (a)(1) shall establish limitations on the period of time (after the determination of a family's eligibility for aid under a State plan approved under section 402 or the filing of an application for services under this part) within which a State must (1) respond to requests for assistance in locating absent parents or establishing paternity, and (2) begin proceedings to establish or enforce child support awards.".

(b) **State Plan Requirement.**—Section 454 of such Act is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (22);

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (23) the following new paragraph:

"(24) provide that the State will observe and comply with the time limits established under section 452(g).".

SEC. 506. AUTOMATED TRACKING AND MONITORING SYSTEMS.

(a) **In General.**—Section 454 of the Social Security Act (as amended by section 505(b) of this Act) is further amended—

(1) by striking out "and" after the semicolon at the end of paragraph (23);

(2) by striking out the period at the end of paragraph (24) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (24) the following new paragraph:

"(25) provide that, if it does not already have in effect an automatic data processing and information retrieval system meeting all of the requirements of paragraph (16), the State—

"(A) will submit to the Secretary by October 1, 1989 (for his review and approval no later than October 1, 1990) an advance automatic data processing planning document of the type referred to in that paragraph; and

"(B) will have in effect by October 1, 1992, an operational automatic data processing and information retrieval system meeting all the requirements of that paragraph.".

(b) **Repeal of 90-Percent Federal Reimbursement Rate for Automated Data Systems.**—Effective October 1, 1992, section 455(a)(1) of such Act is amended by striking out "an amount—" and all that follows down through "except that" and inserting in lieu thereof the following: "an amount equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454; except that".

SEC. 507. COSTS OF INTERSTATE ENFORCEMENT DEMONSTRATIONS EXCLUDED IN COMPUTING INCENTIVE PAYMENTS.

Section 458(d) of the Social Security Act is amended by inserting immediately before the period at the end thereof the following: ", and any amounts expended by the State in carrying out a special project assisted under section 455(e) shall be excluded".

SEC. 508. FEDERAL MATCHING REDUCED FOR STATES WHICH ARE NOT IN COMPLIANCE WITH 1984 AMENDMENTS, AND INCREASED FOR STATES WHICH REQUIRE IMMEDIATE INCOME WITHHOLDING UPON ISSUANCE OF COURT ORDER.

Section 455(a)(2) of the Social Security Act is amended—

(1) by striking out "The percent" and inserting in lieu thereof "(A) Except as provided in subparagraphs (B) and (C), the percent";

(2) by redesignating the existing subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively; and

(3) by adding at the end thereof the following new subparagraphs:

"(B) In the case of a State that is not fully in compliance with the Child Support Enforcement Amendments of 1984, as determined by the Secretary, at any time after the expiration of 6 months after the date of the enactment of this subparagraph, the percent applicable to any quarter for purposes of paragraph (1) is 66 percent.

"(C) In the case of any State that has in effect a law (whether enacted before, on, or after the date of the enactment of this subparagraph) under which—

"(i) income withholding in accordance with section 466(b) is required in cases where an individual residing in the State owes child support under a court order issued or modified in the State on or after the date of the enactment of such law (or under an order of an administrative process established by a law of the State and issued or modified on or after that date), without the necessity of any application therefor or of any determination as to whether or not such individual is in arrears, and

"(ii) an exemption from the requirement described in clause (i) is permitted in any case where (I) one of the parties demonstrates, and the court (or administrative process) finds, that there is good cause not to require immediate income withholding, or (II) a written agreement is reached between both parties which provides for an alternative arrangement,

the percent applicable to any quarter for purposes of paragraph (1) for any fiscal year (unless subparagraph (B) of this paragraph applies) is 70 percent.".

SEC. 509. COMMISSION ON INTERSTATE ENFORCEMENT.

(a) ESTABLISHMENT OF COMMISSION; PURPOSE.—There is hereby established a study commission to examine the problems of interstate child support enforcement and to develop a new model interstate law to facilitate and strengthen such enforcement.

(b) MEMBERSHIP.—The commission shall consist of 15 members, as follows:

(1) Two Members of the Senate, one selected by the Majority Leader of the Senate and the other by the Minority Leader of the Senate.

(2) Two Members of the House of Representatives, one selected by the Speaker of the House and the other by the Minority Leader of the House.

(3) The Secretary of Health and Human Services.

(4) A representative of the Commissioners on Uniform State Laws.

(5) A director of a State child support enforcement agency.

(6) A State or local prosecutor.

(7) Seven advocates for or representatives of custodial and non-custodial parents.

The members specified in paragraphs (4) through (7) shall be selected jointly by the Speaker of the House and the Majority Leader of the Senate in consultation with the Minority Leader of the House and the Minority Leader of the Senate.

(c) REPORT.—No later than one year after the date of the enactment of this Act, the commission shall submit to the President and the Congress a full and complete report of the results of its study, including a draft of a model State law designed to facilitate and strengthen interstate child support enforcement, along with such recommendations as the commission may have for further legislative, administrative, and other actions at every level.

(d) AUTHORIZATION OF FUNDS.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 510. STUDY OF CHILD-RAISING COSTS.

The Secretary of Health and Human Services shall conduct a study of the patterns of expenditures on children in two-parent families, in single-parent families following divorce, and in single-parent families in which the parents were never married, giving particular attention to the relative standards of living in households in which both parents and all of the children do not live together. The Secretary shall submit to the Congress no later than two years after the date of the enactment of this Act a full and complete report of the results of such study, including such recommendations as the Secretary may have for legislative, administrative, and other actions. There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 511. DEMONSTRATION PROJECTS TO TEST VOLUNTARY WORK, EDUCATION, AND TRAINING FOR FATHERS WHO ARE UNABLE TO PAY CHILD SUPPORT.

Section 1115(b) of the Social Security Act (as added and amended by the preceding provisions of this Act) is further amended by redesignating paragraph (7) as paragraph (8), and by inserting after paragraph (6) the following new paragraph:

"(7) In order to permit States to test methods of improving child support enforcement in cases where the noncustodial parent is financially unable to meet his support obligations, any State may undertake and carry out a demonstration project under which absent parents who owe child support, but whose income is insufficient to pay such support, are encouraged by all possible means to participate in the State's education, training, and work program established under section 416, in an appropriate State program under the Job Training Partnership Act, or in a similar program. Demonstration projects under this paragraph shall be established and carried out in accordance with such conditions and requirements as the Secretary shall prescribe; and the Secretary shall make grants to the States conducting such projects to assist in their financing.".

SEC. 512. COLLECTION AND REPORTING OF CHILD SUPPORT ENFORCEMENT DATA.

(a) **In General.**—The Secretary of Health and Human Services shall collect and maintain up-to-date statistics, by State, with respect to each of the services specified in subsection (b) (separately stated in the case of each such service for families receiving aid under plans approved under part A of title IV of the Social Security Act and for families not receiving such aid), on—

(1) the number of cases in the child support enforcement agency caseload under part D of title IV of the Social Security Act which need the service involved;

(2) the number of such cases in which the service has actually been provided; and

(3) the number of cases described in paragraph (2) as a percentage of the number of cases described in paragraph (1).

(b) **Services Involved.**—The services referred to in subsection (a) are—

(1) paternity determination;

(2) location of an absent parent for the purpose of establishing a child support obligation;

(3) establishment of a child support obligation; and

(4) location of an absent parent for the purpose of enforcing or modifying an established child support obligation.

SEC. 513. ASSISTANCE IN LOCATING ABSENT PARENTS.

(a) **Provision of Information by Secretary of Labor.**—The Secretary of Labor shall make available to the Parent Locator Service established under section 453 of the Social Security Act and to any State child support enforcement agency which requests it, for child support enforcement purposes, from the cross-match system used by the Secretary in determining eligibility for unemployment insurance and accessed by INTERNET, all available information on the name, social security account number, current address, and place of employment of any specified individual.

(b) **Reimbursement.**—The Parent Locator Service and each State child support enforcement agency, upon receiving information from the Secretary of Labor under subsection (a), shall reimburse the Secretary for the reasonable cost of providing such information (and, in the case of a State child support enforcement agency, such reimbursement shall constitute an expenditure made for the operation of the plan approved under section 454 of the Social Security Act).

SEC. 514. EFFECTIVE DATE.

Except to the extent otherwise specifically indicated, the amendments made by this title shall become effective on the first day of the first calendar quarter which begins one year or more after the date of the enactment of this Act.

TITLE VI—PRO-FAMILY WELFARE POLICIES

SEC. 601. REQUIREMENT THAT AID BE PROVIDED WITH RESPECT TO DEPENDENT CHILDREN IN TWO-PARENT FAMILIES.

(a) **In General.**—Section 402(a) of the Social Security Act is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (38);

(2) by striking out the period at the end of paragraph (39) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (39) the following new paragraph:

"(40) provide that payments of family support supplements will be made under the plan with respect to dependent children of unemployed parents, in accordance with section 407.".

(b) CONFORMING AMENDMENTS.—(1) Section 407(b) of such Act is amended by striking out "(b) The provisions" and all that follows down through "(1) requires" and inserting in lieu thereof the following:

"(b) In providing for the payment of family support supplements under the State's plan approved under section 402 in the case of families which include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(40), the State's plan—

"(1) shall require".

(2) Section 407(b)(2) of such Act is amended by striking out "provides—" and inserting in lieu thereof "shall provide—".

(c) QUARTERS OF WORK BASED ON EDUCATION OR TRAINING.—(1) Section 407(d)(1) of such Act (as amended by section 103(a)(10) of this Act) is further amended—

(A) by inserting "(A)" after "means a calendar quarter"; and

(B) by inserting before the semicolon at the end thereof the following: ", or (B) if the State plan so provides (but subject to the last sentence of this subsection), in which such individual (i) was in regular full-time attendance as a student at an elementary or secondary school, (ii) was in regular full-time attendance in a course of vocational or technical training designed to fit him or her for gainful employment, or (iii) participated in an education or training program established under the Job Training Partnership Act".

(2) Section 407(d) of such Act is further amended by adding at the end thereof (after and below paragraph (4)) the following new sentence:

"No individual shall be credited during his or her lifetime (for purposes of subsection (b)(1)(C)(i)) with more than 4 'quarters of work' based on attendance in a course or courses of vocational or technical training as described in paragraph (1)(B)(ii) of this subsection.".

(3) Section 407(b)(1)(C)(i) of such Act is amended by inserting after "6 or more quarters of work (as defined in subsection (d)(1))" the following: ", including 2 or more quarters of work as defined in subsection (d)(1)(A),".

(d) GAO STUDY.—The Comptroller General shall conduct a study of the administration by the States of the family support program in cases involving unemployed parents under section 407, with particular reference to the policies and regulations governing the administration of such program in those cases, and shall recommend to the Congress within 6 months after the date of the enactment of this Act such changes in current law and regulation as in his judgment would make such administration less cumbersome and less prone to error in the payment of such aid. There are authorized to be appropriated such sums as may be necessary to carry out this section.

(e) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall become effective January 1, 1990.

SEC. 602. SPECIAL PROVISIONS FOR FAMILIES HEADED BY MINOR PARENTS.

(a) CASE MANAGEMENT SERVICES; LIVING ARRANGEMENTS AND PAYMENTS OF AID.—(1) Section 402(a) of the Social Security Act is amended by inserting after paragraph (28) the following new paragraph:

"(29) provide for the assignment of a case manager to each family which is receiving family support supplements under the plan and which is headed by a minor parent, as described in section 417, and include the other provisions and conditions required by that section;".

(2) Part A of title IV of such Act (as amended by section 101(b) of this Act) is further amended by adding at the end thereof the following new section:

"SPECIAL PROVISIONS FOR FAMILIES HEADED BY MINOR PARENTS

"SEC. 417. (a)(1) The State agency shall assign an individual case manager to each family, receiving family support supplements under the State's plan approved under section 402, which is headed by a minor parent. The case manager so assigned shall be responsible for assuring that the family receives and effectively uses all of the aid and services which are available to it under the plan and under related laws and programs, and for supervising and monitoring the provision and use of such aid and services. Each case manager assigned under this subsection shall maintain a caseload sufficiently small to assure the provision of intensive services to and close supervision of the families to which he or she is assigned.

"(2) If the family is participating in the program under section 416, only one case manager shall be assigned to perform all case management functions for the family.

"(b)(1)(A) Each family headed by an unmarried minor parent shall be required to live with a parent, legal guardian, or other adult relative of such minor parent or in a foster home, maternity home, or other supportive living arrangement, except to the extent that the State agency determines that it is impossible or inappropriate to do so (as more particularly described in subparagraph (B)). The case manager assigned to the family may in any event require that payments of family support supplements with respect to the family be made when appropriate to a third party in the manner described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof); and if the minor parent is not living under adult supervision, and an appropriate relative or other representative payee cannot be found, the case manager may serve as representative payee.

"(B) The State agency may determine that it is impossible or inappropriate for a minor parent to live with a parent or legal guardian if—

"(i) the minor parent has no living parent or legal guardian whose whereabouts are known;

"(ii) the health or safety of the minor parent or the child would be jeopardized if they lived with the parent or guardian, or the living conditions of the parent or guardian are overcrowded;

"(iii) the parent or guardian refuses to allow the minor parent and child to live in his or her home; or

"(iv) the minor parent has lived apart from the parent or guardian for at least a year prior to the birth of the child or prior to making application for supplements under the plan.

"(2) In any case where the parent with whom the minor parent is living is also eligible for family support supplements (by reason of the presence in the household of one or more other children of such parent), the State must provide (notwithstanding paragraph (38)) that the minor parent and the minor parent's child or children constitute a family unit separate from that of the minor parent's parent and such other children.

"(c) The State may at its option (1) require school attendance by the minor parent on a part-time basis as a condition of such parent's eligibility for aid under the State plan, or (2) require that the minor parent participate in training in parenting and family living skills, including nutrition and health education, as a condition of such eligibility (without regard to the age of the child or children); but in either case only if and to the extent that day care for the child or children is guaranteed (and is guaranteed within the applicable dollar limitations set forth in section 402(g) if the child or any of the children is below 3 years of age).

"(d) Amounts expended by a State under this section in providing case management services with respect to families headed by minor parents shall be considered, for purposes of section 403(a)(3)(D), to be expenditures for the proper and efficient administration of the State plan.

"(e) For purposes of this section, the term 'minor parent' means a parent who has not yet attained the age of 18.".

(b) REPEAL OF PROVISION ATTRIBUTING GRANDPARENT'S INCOME TO DEPENDENT CHILD IN MINOR PARENT FAMILY.—Section 402(a) of such Act is further amended by striking out paragraph (39).

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1987.

TITLE VII—BENEFIT IMPROVEMENTS

SEC. 701. PERIODIC RE-EVALUATIONS OF NEED AND PAYMENT STANDARDS.

Section 402 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(i) Each State shall annually re-evaluate its need standard and its payment standard under the family support program, giving particular attention to whether or not the amount which it has assumed to be necessary for shelter, in setting such standards, is adequate in the light of current housing costs in the State and in different regions within the State. The result of each such re-evaluation shall be reported by the State to the Secretary, to the Congress, and to the public.".

SEC. 702. ENCOURAGEMENT OF STATES TO INCREASE FSP BENEFIT LEVELS.

(a) IN GENERAL.—(1) Section 403 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(k)(1)(A) In the case of any State which, effective on or after October 1, 1988, increases the level of the family support supplements which are payable under its approved State plan, the percentage of the total amount expended during any quarter as family support supplements under such plan which would otherwise be payable to the State (without regard to this subsection) as the Federal share of such expenditures under subsection (a) (1) or (2) (with or without the application of section 1118), to the extent that the total amount so expended is attributable to such increase, shall be equal to the percentage of the Federal share of the expenses attributable to such increase, as it would be determined by the application of subsection (a) (1) or (2) without regard to this subsection, increased by 25 percent (but not to more than 90 percent).

"(B) If the increase involved becomes effective on the first day of a quarter, subparagraph (A) shall apply with respect to expenditures made on and after such first day. If the increase becomes effective at any other time during a quarter, subparagraph (A) shall apply only with respect to expenditures made on and after the first day of the following quarter.

"(C) The resulting net Federal share of the total amounts expended during such quarter as family support supplements under the State plan (including both the expenditures to which this paragraph applies and the expenditures to which it does not) shall be determined as provided in paragraph (2).

"(2)(A) Whenever a State (effective on or after October 1, 1988) increases the level of the family support supplements which are payable under its approved State plan, the Secretary shall determine with respect to each particular size of family separately specified under the plan (assuming for this purpose that no family has any other income)—

"(i) the level of such supplements (expressed as a monthly dollar amount) as of September 30, 1988;

"(ii) the level of such supplements (expressed as a monthly dollar amount) immediately after such increase becomes effective;

"(iii) the dollar amount of the increase (if any) in such level; and

"(iv) the percentage of the State's total FSP caseload (i.e., of the total number of families receiving family support supplements under the plan) which is represented by families of that particular size.

"(B) The Federal share of the expenditures which are made as family support supplements under the State plan with respect to families of any particular size during any quarter commencing with the later of the quarter beginning October 1, 1988, or the first quarter in which the increase is effective, and which (if any) are attributable to such increase, shall be a percentage equal to—

"(i) the sum of (I) the level determined under subparagraph (A)(i) for such families multiplied by the net Federal percentage determined under subsection (a) (1) or (2) or section 1118 without regard to this subsection, and (II) the amount of the increase (if any) determined under subparagraph (A)(iii) for such families multiplied by the percentage of the Federal share of the expenditures attributable to such increase as determined under paragraph (1)(A),

divided by—

"(ii) the level determined under subparagraph (A)(ii),

with the resulting quotient multiplied by—

"(iii) the percentage of the State's total FSP caseload which is represented by families of that particular size as determined under subparagraph (A)(iv).

"(C) The net Federal share of the total amounts expended during the quarter involved as family support supplements under the State's approved plan for purposes of subsection (a) (1) or (2) shall be a percentage equal to the sum of the percentages determined for all family sizes by the application of clauses (i), (ii), and (iii) of subparagraph (B) to families of each such size separately; and the percentage of such net Federal share as so determined shall be in lieu of the percentage which would otherwise be applied under subsection (a) (1) or (2) or under section 1118."

(2)(A) Section 403(a) of such Act is amended by striking out "an amount equal to" in paragraphs (1) and (2) and inserting in lieu thereof in each instance "an amount (subject to subsection (k)) equal to".

(B) The first sentence of section 1118 of such Act is amended by inserting "(subject to section 403(k))" after "be determined".

(3) The Secretary of Health and Human Services shall monitor and study the implementation of the amendments made by this subsection and the effect of such amendments on benefit levels and related aspects of the program under part A of

title IV of the Social Security Act, and shall submit to the Congress on or before October 1, 1991, and again on or before October 1, 1993, a detailed report on such implementation and effect.

(b) Prohibition Against Benefit Reductions.—Section 402(a) of such Act (as amended by sections 601(a) and 602(b) of this Act) is further amended by inserting after paragraph (38) the following new paragraph:

"(39) provide that the State will not reduce the level of the aid payable under the State plan to families of any size or composition below the level in effect for such families on June 10, 1987 (or below a level scheduled to become effective for such families after that date (and on or before September 30, 1988) under a State law enacted on or before June 10, 1987); and".

SEC. 702. STUDY OF NEW NATIONAL APPROACHES TO WELFARE BENEFITS FOR LOW-INCOME FAMILIES WITH CHILDREN.

(a) In General.—The Secretary of Health and Human Services shall enter into a contract or arrangement with the National Academy of Sciences for the study of a new national system of welfare benefits for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated. The study shall give consideration to alternative minimum benefit proposals including proposals for benefits based on a family living standard, on weighted national median income, on State median income, and on the poverty level, and shall take into account the probable impact of a national minimum benefit on individuals and on State and local governments.

(b) Methodology.—(1) The study under this section shall include the development of a uniform national methodology which could be used to calculate State-specific family living standards and benefits based on other minimum benefit proposals.

(2) The methodology so developed shall be designed to identify a single uniform measure suitable for application in each State, and shall—

(A) take into account actual living costs in each State while permitting variances in such costs as between the different geographic areas of the State;

(B) take into account variations in actual living costs in each State for families of different sizes and composition; and

(C) specify an effective process for reassessing and updating both the methodology and the resulting family living standards and benefits based on other minimum benefit policies at least once every four years.

(3) The methodology so developed shall reflect the costs of basic necessities including housing, furnishings, food, clothing, transportation, utilities, and other maintenance items; and the study shall take into account variations in costs for different geographic areas of the State where such costs may be substantially different, and variations in costs for families of different sizes and composition.

(c) Other Considerations; Progression to Proposed Minimum Benefit Levels.—In order to assess the implications of States moving to a new system of welfare benefits, the study shall include an analysis of the relationship between a State's fiscal capacity and other circumstances and constraints and the application of a full family living standard or other minimum benefit policy. The study shall propose a formula designed to achieve a uniform progression from the level of assistance currently being provided for low-income families with children under the family support program, the food stamp program, and the low-income energy assistance program, by each State, to a level based on the full family living standard or other minimum benefit policy for that State. For this purpose the Secretary shall define the term "low-income families with children" in a manner which reflects all families that include dependent children as defined for purposes of the family support program.

(d) Report and Recommendations.—The Academy shall report its recommendations resulting from the study under this section to the Secretary no later than 24 months after the date of the enactment of this Act; and the Secretary shall promptly transmit such recommendations to the Congress.

(e) Authorization of Funds.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

TITLE VIII—MISCELLANEOUS PROVISIONS

SEC. 801. COORDINATION OF FAMILY SUPPORT AND FOOD STAMP POLICIES.

(a) Appointment and Membership of Commission.—There is hereby established a Commission on the Coordination of Family Support and Food Stamp Policies (hereinafter referred to as the "Commission"), consisting of 15 members as follows:

(1) The Secretary of Health and Human Services.

(2) The Secretary of Agriculture.

(3) Two Members of the Senate, one selected by the Majority Leader of the Senate and the other by the Minority Leader of the Senate.

(4) Two Members of the House of Representatives, one selected by the Speaker of the House and the other by the Minority Leader of the House.

(5) Two State Governors, one selected jointly by the Speaker of the House and the Majority Leader of the Senate and the other selected jointly by the Minority Leader of the House and the Minority Leader of the Senate.

(6) Seven other members, including State and local officials responsible for administering the family support and food stamp programs, representatives of welfare advocacy organizations, and individuals with demonstrated expertise in welfare policy, to be selected jointly by the Speaker of the House and the Majority Leader of the Senate in consultation with the Minority Leader of the House and the Minority Leader of the Senate.

(b) PURPOSE.—It shall be the purpose of the commission—

(1) to study and consider the policies and definitions being implemented or used (under law or administrative practice) in the administration of the family support program under part A of title IV of the Social Security Act and those being so implemented or used in the administration of the food stamp program under the Food Stamp Act of 1977;

(2) to identify the policies and definitions being implemented or used under each such program which are inconsistent or in conflict with those being implemented or used under the other; and

(3) to make recommendations for developing common policies and definitions for use under both programs and thereby eliminating such inconsistency or conflict to the maximum extent possible.

(c) REPORT.—The commission shall submit to the President and the Congress within one year after the date of the enactment of this Act a full and complete report on its study under this section, including its recommendations for such legislative, administrative, and other actions as may be considered appropriate.

(d) AUTHORIZATION OF FUNDS.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. [illegible]. UNIFORM REPORTING REQUIREMENTS.

Section 403 of the Social Security Act is amended by inserting immediately before subsection (f) the following new subsection:

"(e) In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(g), and 417 are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not.".

SEC. [illegible]. STATE REPORTS ON EXPENDITURE AND USE OF SOCIAL SERVICES FUNDS.

Section 2006 of the Social Security Act is amended—

(1) by striking out that part of the second sentence of subsection (a) which precedes "as the State finds necessary" and inserting in lieu thereof "Reports shall be prepared annually, covering the most recently completed fiscal year, and shall be in such form and contain such information (including but not limited to the information specified in subsection (c))";

(2) by redesignating subsection (c) as subsection (d); and

(3) by inserting after subsection (b) the following new subsection:

"(c) Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)—

"(1) the number of individuals who received services paid for in whole or in part with funds made available under this title, showing separately the number of children and the number of adults who received such services, and broken down in each case to reflect the types of services and circumstances involved;

"(2) the amount actually spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient;

"(3) the criteria applied in determining eligibility for services (such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs); and

"(4) the methods by which services were provided, showing separately the services provided by public agencies and those provided by private agencies, and broken down in each case to reflect the types of services and circumstances involved.

The Secretary shall establish uniform definitions of services for use by the States in preparing the information required by this subsection."

SEC. 804. EVALUATION OF EMPLOYMENT, TRAINING, AND WORK PROGRAMS AND RELATED PROGRAMS.

(a) **STATEMENT OF PURPOSE.**—It is the view of the Congress that there is now a broad national consensus on the importance of work and preparation for work as a means of avoiding the dependency often associated with poverty. In recent years, the States have undertaken impressive new job search, education, training, and employment programs designed to help welfare recipients achieve financial independence. Evaluations of these programs provide some reason to think they may be successful in moving welfare recipients into the workforce. In enacting this Act the Congress is attempting to help the States pursue these programs by providing generous new resources and a great deal of flexibility in designing and implementing the programs. In addition, the Congress is granting the States great latitude in using funds currently addressed to meeting the needs of low-income citizens and citizens living in poverty. But the Congress also intends to learn as much as possible from this new investment of public funds and this new enrichment of Federal-State relations. In recent years the Congress has profited from the knowledge produced by large-scale evaluations; it is the intent of the Congress to pursue the strategy of careful evaluation of social programs in order to improve and perfect the legislation upon which these programs are based. It is the purpose of this section to carry out this objective.

(b) **ESTABLISHMENT OF INTERAGENCY PANEL.**—Within 3 months after the enactment of this Act, the Secretary of Health and Human Services shall convene an Interagency Panel consisting of representatives from the Office of Management and Budget, the Congressional Budget Office, the Congressional Research Service, and the General Accounting Office. The Panel shall meet periodically to design, implement, and monitor a series of implementation and evaluation studies to assess the methods and effects of the programs initiated under this Act. Insofar as possible, the Panel shall work in a collegial fashion; but if consensus cannot be reached among Panel members on particular decisions the Secretary of Health and Human Services is authorized to make all final decisions about program design, use of contractors, conduct of particular studies, and any other matters which may come before the Panel.

(c) **ADVISORY BOARD.**—Within 6 months after the enactment of this Act, the Interagency Panel shall select and appoint an advisory board of not more than 12 members. The advisory board shall include representatives of business, labor, academia, children's groups, State government, local government, welfare rights organizations, religious organizations, and community self-help organizations. The advisory board shall meet at least twice during the first year following its formation and at least once a year thereafter. It shall be the function of the advisory board to provide the Interagency Panel with advice and counsel on all aspects of its operation.

(d) **OPERATION OF INTERAGENCY PANEL.**—(1) The Interagency Panel shall identify the significant questions to be pursued in its studies, and shall also adopt an overall design that maximizes the knowledge gained from contrasts and comparisons between the individual studies. The Panel shall make special efforts to coordinate with the States and to use control groups and other methods of scientific evaluation whenever possible.

(2) The Panel may request the Secretary of Health and Human Services to supply any information, in the possession of or available to the Secretary, which may be of assistance in carrying out the Panel's functions under this section, and may request the Secretary to obtain any such information from States by requiring its inclusion in any of the State reports provided for under this Act or otherwise provided for by law. To the maximum extent possible, the Secretary shall comply with any request received from the Panel under this subsection.

(e) **REPORTS.**—The Interagency Panel shall report to the Congress and the President at such times as it sees fit to do so, but at least once each year, during the 5-year period beginning on the date of the enactment of this Act. The first such report shall cover the implementation of the programs under this Act during the period prior to the submission of that report; and the subsequent reports shall include an overview of each study the Panel it has conducted or authorized, an overall assessment of the State programs initiated under this Act, and a set of specific recommendations to the Congress and the President on needed changes in legislation, regulations, and program administration at the State and Federal levels. The final report shall cover the first four years of program implementation and shall be published no later than five years after the enactment of this Act.

(f) Authorization of Appropriations.—There is authorized to be appropriated the total sum of $20,000,000 to enable the Panel to perform its functions during the first five years of its existence.

SEC. 805. DEMONSTRATION PROGRAM OF GRANTS TO PROVIDE PERMANENT HOUSING FOR FAMILIES THAT WOULD OTHERWISE REQUIRE EMERGENCY ASSISTANCE.

(a) Establishment of Program.—Section 1115 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(c)(1) In order to ensure that States which incur particularly high costs in providing emergency assistance for temporary housing to homeless FSP families may have an adequate opportunity to test whether such costs could be effectively reduced by the construction or rehabilitation (with the assistance of Federal grants) of permanent housing that such families can afford with their regular family support supplements, there is hereby established a demonstration program under which the Secretary shall make grants to those States, selected in accordance with paragraph (2), which conduct demonstration projects in accordance with this subsection.

"(2)(A) Any State which desires to participate in the demonstration program established by paragraph (1) may submit an application therefor to the Secretary.

"(B) To be eligible for selection to conduct a demonstration project under such program, a State—

"(i) must be currently providing emergency assistance (as defined in paragraph (6)(A)) in the form of housing, including transitional housing;

"(ii) must have a particularly acute need for assistance in dealing with the problems of homeless FSP families by virtue of the large number of such families, and the existence of shortages in the supply of low-income housing, in the political subdivision or subdivisions where such project would be conducted; and

"(iii) must submit a plan to achieve significant cost savings over a 10-year period through the conduct of such project with assistance under this subsection.

"(C) The Secretary shall select up to 3 States, from among those which submit applications under subparagraph (A) and are determined to be eligible under subparagraph (B), to conduct demonstration projects in accordance with this subsection. In the event that more than 3 States are determined to be eligible, the 3 States selected shall be those whose cost savings (as described in clause (iii) of subparagraph (B)) will be the greatest.

"(D) Grants for each demonstration project under this subsection shall be awarded within 6 months after the date of the appropriation of funds (pursuant to paragraph (8)) for the purposes prescribed in this subsection.

"(3) For each year during which a State is conducting a demonstration project under this subsection, the Secretary shall make a grant to such State, in an amount determined under paragraph (8)(B)), for the construction or rehabilitation of permanent housing to serve individuals and families who would otherwise require emergency assistance in the form of temporary housing.

"(4) A grant may be made to a State under paragraph (2) only if such State (along with or as a part of its application) furnishes the Secretary with satisfactory assurances that—

"(A) the proceeds of the grant will be used exclusively for the construction or rehabilitation of permanent housing to be owned by the State, a political subdivision of the State, an agency or instrumentality of the State or of a political subdivision of the State, or a nonprofit organization;

"(B) all units assisted with funds from the proceeds of the grant will be used exclusively for rental to families which—

"(i) are eligible, at the time of the rental, for aid under the State's plan approved under section 402 (and a family with one or more members who meet this requirement shall not be deemed ineligible because one or more other members receive benefits under title XVI),

"(ii) have been unable to obtain decent housing at rents that can be paid with the portion of such aid allocated for shelter, and

"(iii) if such housing were not available to them, would be compelled to live in a shelter for the homeless or in a hotel or motel, or other temporary accommodations, paid for with emergency assistance, or would be homeless;

"(C) the local jurisdiction in which such housing will be located is experiencing a critical shortage of housing units that are available to families eligible for aid under the State plan at rents that can be paid with the portion of such aid allocated for shelter; and

"(D) whenever units assisted with grants under the project become available for occupancy, the State will discontinue the use of an equivalent number of units of the most costly accommodations it has been using as temporary housing paid for with emergency assistance, except to the extent that such accommodations are demonstrably needed—

"(i) in addition to the units so assisted, to take account of increases in the caseload under the emergency assistance program, or

"(ii) because, due to the condition or location of such accommodations, or other factors, discontinuing the use of such units would not be in the best interests of needy families, provided that the State discontinues the use of an equivalent number of other units it has been using as temporary housing paid for with emergency assistance;

and only if the State, along with or as a part of its application, includes such documentary and other materials as may be necessary to establish its eligibility under paragraph (2)(B) and such provisions as may be necessary to carry out the requirements of subparagraph (D) of this paragraph.

"(5)(A) The average cost to the Federal Government per unit of housing constructed or rehabilitated with a grant under a project under this subsection shall be an amount no greater than the calculated yearly payment of emergency assistance that would be required to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters for one year, in the jurisdiction or jurisdictions where the project is located.

"(B) The total of Federal payments to a State under part A of title IV over the 10-year period beginning at the time construction or rehabilitation commences under the State's project under this subsection, with respect to the families who will live in housing assisted by a grant under such project (the 'total grant cost' as more particularly defined in paragraph (6)(C)), must be lower as a result of the construction or rehabilitation of permanent housing with the grant than it would be if the State made emergency assistance payments with respect to the families involved at the level of the standard yearly payment (as defined in paragraph (6)(B)) during such 10-year period.

"(C) Any grant to a State under paragraph (1) shall be made only on condition (i) that such State pay a percentage of the total cost of the construction or rehabilitation of the housing involved equal at least to the percentage of the current non-Federal share of family support supplements under the State's plan approved under section 402 (as determined under section 403(a) or 1118), increased by 10 percentage points, and (ii) that such State not require any of its political subdivisions to pay a higher percentage of the total costs of the construction or rehabilitation of such housing than it would pay with respect to family support supplements pursuant to such State plan.

"(6) For purposes of this subsection—

"(A) the term 'emergency assistance' means emergency assistance to needy families with children as described in section 403(e), and regular payments for the costs of temporary housing authorized as a special needs item under the State plan;

"(B) the term 'standard yearly payment', with respect to emergency assistance used to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters during any year in any jurisdiction, means an amount equal to the total amount of such assistance which was needed to provide all housing in temporary accommodations in that jurisdiction (with emergency assistance), in the most recently completed calendar year, at the 75th percentile in the range of all payments of emergency assistance for temporary accommodations, based on the State's actual experience with emergency assistance in such jurisdiction; and

"(C) the term 'total grant cost', with respect to housing constructed or rehabilitated under a demonstration project under this subsection, means the sum of (i) the Federal share of payments attributable to such housing during the 10-year period beginning on the date on which its construction or rehabilitation begins (including the grant provided under this subsection), (ii) the Federal share of payments of emergency assistance for temporary housing to the families involved during such construction or rehabilitation (at a level equal to the standard yearly payment), and (iii) the Federal share of regular payments of family support supplements under the State plan to such families during the remainder of such 10-year period.

"(7) Whenever a grant is made to a State under this subsection, the assurances required of the State under subparagraphs (A) through (D) of paragraph (4) and any other requirements imposed by the Secretary as a condition of such grant shall be considered, for purposes of section 404, as requirements imposed by or in the administration of the State's plan approved under section 402.

"(8)(A) There is authorized to be appropriated for grants under this subsection the sum of $15,000,000 for each of the first 5 fiscal years beginning on or after October 1, 1987.

"(B)(i) The amount appropriated for any fiscal year pursuant to subparagraph (A) shall be divided among the States conducting demonstration projects under this subsection according to their respective need for assistance of the type involved and their respective numbers of homeless FSP families, as determined by the Secretary.

"(ii) If any State to which a grant is made under this subparagraph finds that it does not require the full amount of such grant to conduct its demonstration project under this subsection in the fiscal year involved, the unused portion of such grant shall be reallocated to the other States conducting such projects in amounts based on their respective need for assistance of the type involved, as determined by the Secretary.

"(iii) Amounts appropriated pursuant to subparagraph (A), and grants made from such amounts, shall remain available until expended.

"(9) The Secretary shall prescribe and publish regulations to implement the provisions of this subsection no later than 6 months after the date of its enactment.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective October 1, 1987.

SEC. 806. CHILD SUPPORT DEMONSTRATION PROJECT IN NEW YORK STATE.

(a) IN GENERAL.—Upon application by the State of New York and approval by the Secretary of Health and Human Services, the State of New York (in this section referred to as the "State") may conduct a demonstration project in accordance with this section for the purpose of testing its Child Support Supplement Program as an alternative to the existing AFDC program and the Family Support Program.

(b) NATURE OF PROJECT.—Under the demonstration project conducted under this section—

(1) all custodial parents of dependent children who are eligible for family support supplements under the State plan approved under section 402(a) of the Social Security Act, and/or such types or classes of such parents as the State may specify, may elect to receive benefits under the Child Support Supplement Program in lieu of family support supplements under such plan; and

(2) the Federal Government will pay to the State with respect to families receiving benefits under the Child Support Supplement Program the same amounts as would have been payable with respect to such families under section 403 (or 1118) of the Social Security Act if they were receiving family support supplements under the State plan, calculating the Federal payments without regard to any increased earnings by such families which may arise from their participation in the Program.

(c) WAIVERS.—The Secretary shall (with respect to the project under this section) waive compliance with any requirements contained in title IV of the Social Security Act which (if applied) would prevent the State from carrying out the project or effectively achieving its purpose.

(d) REQUIRED ASSURANCES.—As a condition of approval of the project under this section, the State must provide assurances satisfactory to the Secretary that it will continue to make assistance available to all eligible children in the State who are in need of financial support, and will continue to operate an effective child support enforcement program.

(e) EFFECTIVE DATE AND DURATION OF PROJECT.—The Secretary shall approve or disapprove the application of the State within 90 days after the date of its submission; and if the application as initially submitted is disapproved the Secretary and the State shall negotiate the revisions necessary for its approval. The project under this section shall commence no later than the first day of the third calendar quarter beginning on or after the date of its approval and shall continue for five years.

SEC. 807. DEMONSTRATION OF FAMILY INDEPENDENCE PROGRAM IN WASHINGTON STATE.

(a) IN GENERAL.—Upon application by the State of Washington and approval by the Secretary of Health and Human Services, the State of Washington (in this section referred to as the "State") may conduct a demonstration project in accordance with this section for the purpose of testing whether the operation of its Family Independence Program enacted in May 1987 (in this section referred to as the "Program"), as an alternative to the existing AFDC program and the FSP program, would more effectively break the cycle of poverty and provide families with opportunities for economic independence and strengthened family functioning.

(b) NATURE OF PROJECT.—Under the demonstration project conducted under this section—

(1) every individual eligible for family support supplements under the State plan approved under section 402(a) of the Social Security Act shall be eligible to enroll in the Program, which shall operate simultaneously with the family support program so long as there are individuals who qualify for the latter;

(2) cash assistance shall be furnished in a timely manner to all eligible individuals under the Program (and the State may not make expenditures for services under the Program until it has paid all necessary cash assistance), with no family receiving less in cash benefits than it would have received under the family support program;

(3) individuals may be required to register, undergo assessment, and participate in work, education, or training under the Program, except that—

(A) work or training may not be required in the case of—

(i) a single parent of a child under 6 months of age, or more than one parent of such a child in a two-parent family,

(ii) a single parent with a child of any age who has received assistance for less than 6 months,

(iii) a single parent with a child under 3 years of age who has received assistance for less than 3 years,

(iv) an individual under 16 years of age or over 64 years of age,

(v) an individual who is incapacitated, temporarily ill, or needed at home to care for an impaired person,

(vi) a woman who is in the third trimester of pregnancy, or

(vii) an individual who has not yet been individually notified in writing of such requirement or of the expiration of his or her exempt status under this subparagraph;

(B) participation in work or training shall in any case be voluntary during the first two years of the Program, and may thereafter be made mandatory only in counties where more than 50 percent of the enrollees can be placed in employment within 3 months after they are job-ready;

(C) in no case shall the work and training aspect of the Program be mandated in any county where the unemployment level is at least twice the State average; and

(D) mandated work shall not include work in any position created by a reduction in the work force, a bona fide labor dispute, the decertification of a bargaining unit, or a new job classification which subverts the intention of the Program;

(4) there shall be no change in existing State law which would eliminate guaranteed benefits or reduce the rights of applicants or enrollees; and

(5) the Program shall include due process guarantees and procedures no less than those which are available to participants in the AFDC or FSP program under Federal law and regulation and under State law.

(c) WAIVERS.—The Secretary shall (with respect to the project under this section) waive compliance with any requirements contained in title IV of the Social Security Act which (if applied) would prevent the State from carrying out the project or effectively achieving its purpose.

(d) FUNDING.—(1) The Secretary shall reimburse the State for its expenditures under the Program—

(A) at a rate equal to the Federal matching rate applicable to the State under section 403(a)(1) (or 1118) of the Social Security Act, for cash assistance and child care provided to enrollees;

(B) at a rate equal to the applicable Federal matching rate under section 403(a)(3) of such Act, for administrative expenses; and

(C) at the rate of 75 percent for an evaluation plan approved by the Secretary.

The State shall be required to pay the same portion of all expenditures made for cash assistance and services under the Program as it would be required to pay if such expenditures were made under its State plan approved under section 402(a) of the Social Security Act.

(2) As a condition of approval of the project under this section, the State must provide assurances satisfactory to the Secretary that the total amount of Federal reimbursement over the period of the project will not exceed the anticipated Federal reimbursements (over that period) under the current family support program; but

this paragraph shall not prevent the State from claiming reimbursement for additional persons who would qualify for aid under the family support program, for costs attributable to increases in the State's payment standard, or for any other federally-matched benefits or services.

(e) **Duration of Project.**—(1) The project under this section shall begin on the date on which the first individual is enrolled in the Program, and (subject to paragraph (2)) shall end 5 years after that date.

(2) The project may be terminated at any time, on 6 months written notice, by the State or (upon a finding that the State has materially failed to comply with this section) by the Secretary.

SEC. 608. STUDY OF HOUSING PROBLEMS OF FSP FAMILIES.

(a) **Interagency Working Group.**—The Secretary of Health and Human Services and the Secretary of Housing and Urban Development, acting jointly, shall establish, appoint, and convene an Interagency Working Group to study and report on the housing problems of families under the family support program.

(b) **Purpose of Study.**—It shall be the purpose of the study conducted by the Interagency Working Group to identify and examine the programs being implemented by the Department of Health and Human Services and the Department of Housing and Urban Development which could be better coordinated so as to—

(1) stem the transiency of the welfare population;

(2) upgrade the public and private housing stock occupied by recipients of family support supplements;

(3) require private housing stock for which rentals are paid from family support supplements to meet minimum HUD standards; and

(4) facilitate coordination between the two Departments as well as local welfare agencies and local housing authorities to facilitate the achievement of these objectives.

(c) **Report.**—(1) Within 6 months after the date of the enactment of this Act the Interagency Working Group shall submit to the Congress a full and complete report on its study under this section. Such report shall include the information and data required by paragraph (2) and such other information, and such recommendations for legislative, administrative, and other action, as the Interagency Working Group considers appropriate.

(2) The report submitted under paragraph (1) shall in any event include—

(A) the total dollar amount of family support supplements spent on housing, by service area;

(B) the demographic characteristics of transient recipients of family support supplements;

(C) an estimate of the number of transient welfare families and the frequency of their transiency;

(D) an estimate of the number of evictions for nonpayment of rent, by service area;

(E) an examination, by service area, of those properties which are occupied by recipients of family support supplements and which do not meet minimum HUD standards;

(F) examples of models and innovative programs which have successfully forged local housing and welfare cooperation to upgrade housing stock and stem welfare population transiency; and

(G) recommendations on ways in which local housing and welfare agencies can economically provide tenant unit management training.

SEC. 609. REQUIREMENT OF CONTINUED TREATMENT FOR DRUG ADDICTION OR ALCOHOLISM AS CONDITION OF ELIGIBILITY.

Section 402 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(j)(1) If—

"(A) any individual who is a recipient of family support supplements under the State plan has been medically determined to be a drug addict or an alcoholic and is enrolled in a program for the treatment of his or her drug addiction or alcoholism, and

"(B) the institution, facility, or other entity responsible for providing such treatment notifies the State agency that such individual (prior to the satisfactory completion of the treatment) has terminated his or her enrollment or otherwise ceased to participate in such program or to comply with its terms, conditions, and requirements, then (notwithstanding any other provision of this title) the needs of such individual shall not be taken into account in making the determination with respect to his or her family under subsection (a)(7) until such individual is again enrolled in such a program or a medical determination is made (and notification thereof communicated to the State agency) that he or she is no longer a drug addict or alcoholic.

"(2) Each State agency shall establish such procedures and take such other actions as may be necessary or appropriate to encourage and facilitate the making (by the institutions, facilities, and other entities involved) of the notificiations described in paragraph (1).".

SEC. 810. INCLUSION OF AMERICAN SAMOA IN FSP PROGRAM.

(a) Inclusion in Program.—Section 1101(a)(1) of the Social Security Act is amended by inserting after the first sentence the following new sentence: "Such term when used in part A of title IV also includes American Samoa.".

(b) Limitation on Payments.—Section 1108(a) of such Act is amended—

(1) by striking out the period at the end of paragraph (3)(F) and inserting in lieu thereof "; and"; and

(2) by inserting immediately after paragraph (3) the following new paragraph:

"(4) for payment to American Samoa shall not exceed $1,000,000 with respect to any fiscal year.".

(c) Effective Date.—The amendments made by this section shall become effective on October 1, 1987.

SEC. 811. INCREASE IN LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM.

(a) In General.—(1) Section 1108(a)(1) of the Social Security Act is amended—

(A) by striking out "or" after the comma at the end of subparagraph (E); and

(B) by striking out subparagraph (F) and inserting in lieu thereof the following new subparagraphs:

"(F) $72,000,000 with respect to each of the fiscal years 1979 through 1987, or

"(G) $81,270,000 with respect to the fiscal year 1988 and each fiscal year thereafter;".

(2) Section 1108(a)(2) of such Act is amended—

(A) by striking out "or" after the comma at the end of subparagraph (E); and

(B) by striking out subparagraph (F) and inserting in lieu thereof the following new subparagraphs:

"(F) $2,400,000 with respect to each of the fiscal years 1979 through 1987, or

"(G) $2,709,000 with respect to the fiscal year 1988 and each fiscal year thereafter;".

(3) Section 1108(a)(3) of such Act (as amended by section 810 of this Act) is further amended—

(A) by striking out "or" after the comma at the end of subparagraph (E); and

(B) by striking out subparagraph (F) and inserting in lieu thereof the following new subparagraphs:

"(F) $3,300,000 with respect to each of the fiscal years 1979 through 1987, or

"(G) $3,725,000 with respect to the fiscal year 1988 and each fiscal year thereafter;".

(b) Effective Date.—The amendments made by this section shall apply with respect to fiscal years beginning on or after October 1, 1987.

SEC. 812. TECHNICAL AND CONFORMING AMENDMENTS RELATING TO REPLACEMENT OF AFDC PROGRAM BY FAMILY SUPPORT PROGRAM.

(a) Amendments to Part A of title IV.—(1) The heading of part A of title IV of such Act is amended by striking out "Aid to Families With Dependent Children" and inserting in lieu thereof "Family Support Program".

(2) Section 406(b) of such Act is amended by striking out "aid to families with dependent children" where it first appears and inserting in lieu thereof "family support supplements".

(3) The following provisions of part A of title IV of such Act are each amended by striking out "aid to families with dependent children" wherever it appears and inserting in lieu thereof "aid in the form of family support supplements": Paragraphs (4), (7), (10), (11), (14), (17), and (21) of section 402(a); subsections (a), (b), and (f) of section 403; section 405; subsections (b) (the second place it appears), (f), (g), and (h) of section 406; and subsections (b) and (c) of section 407.

(b) **Amendments to Other Provisions of the Social Security Act.**—(1) The following provisions of the Social Security Act are amended by striking out "aid to families with dependent children" wherever it appears and inserting in lieu thereof "aid in the form of family support supplements": Section 452(a)(10); section 454(4); section 457(d)(3); section 472(h); and section 473(b).

(2) Section 454(16) of such Act is amended by striking out "aid to families with dependent children program" and inserting in lieu thereof "Family Support Program".

(3) Subsections (b) and (c) of section 458 of such Act are each amended by striking out "AFDC" and "non-AFDC" wherever those terms appear and inserting in lieu thereof "FSP" and "non-FSP", respectively.

(c) **Other References in General.**—Any reference to aid to families with dependent children in any provision of law or regulation other than those provisions of law specified in the preceding subsections of this section shall be deemed to be a reference to family support supplements, or to aid in the form of family support supplements, consistent with the amendments made by the preceding provisions of this Act.

I. INTRODUCTION

A. Purpose and Scope

The Family Welfare Reform Act of 1987, H.R. 1720, makes significant changes in the nation's basic welfare program, Aid to Families with Dependent Children (AFDC). The legislation is designed to promote family stability, self-support through work, the payment of child support, and improvements in need-based cash support for families.

President Reagan, in his State of the Union Message on January 27, 1987, called on the Congress to enact welfare reform. The President's welfare reform program includes a new work, education and training program for welfare recipients and large scale demonstration projects to test State and local welfare reform ideas.

Reducing welfare dependency by creating significant work, education and training opportunities for AFDC recipients is the cornerstone of H.R. 1720. The National Education, Training and Work program, or NETWork, is devoted exclusively to helping AFDC families become self-supporting. It targets Federal resources on the families who are most in need of assistance—those who can be expected to become long-term welfare dependent.

NETWork is an individualized program, tailored to the family's needs and the State's resources. It will offer the chance to return to school for welfare recipients who are without a high school education. Training, job search and other work activities are also an integral part of the NETWork program. States could continue "workfare" programs so long as training is provided also and long-term workfare assignments are avoided. This is because NETWork's first priority is to prepare welfare recipients for real jobs in their communities. The program is directed not only to the adults in the family, but also to the children, so that any cycle of welfare dependency can be broken.

The emphasis in this program is on independence and mutual obligation. The respective obligations of the recipient and the welfare department are spelled out in a mutually negotiated agreement and carried out through a case management system designed to assure that the services are provided and barriers to employment are removed.

To ease the transition to work, H.R. 1720 creates modest financial incentives so that families who work are better off than those that do not. Day care subsidies and Medicaid would also be available for families who go to work and earn their way off AFDC. These are the "tickets to success" and independence for welfare families which assure that parents won't be asked to put their children's health or safety in jeopardy if they go to work.

Helping families to support themselves often requires child support enforcement. H.R. 1720 is designed to improve efforts to establish paternity of children, assure that child support orders are fairly set and regularly updated, and give States incentives to use effective enforcement techniques.

Our welfare system must also become pro-family. If we want families to stay together and support themselves, as the President suggests, then we can't deny them AFDC when they face tough times. H.R. 1720 mandates AFDC for unemployed two-parent families. It also creates incentives to improve AFDC benefits, a step that is needed to reduce the decline in real benefits that has occurred since 1970.

Finally, in response to President Reagan's request, H.R. 1720 includes a series of carefully targeted demonstration projects designed to test, on a limited basis, innovative approaches to encouraging work, reducing welfare dependency, streamlining administration, and improving the quality of life of AFDC families. A total of 10 demonstration projects would be authorized.

H.R. 1720 does not solve all of the problems of the current welfare system. It does, however, lay the foundation for systematic change by making an investment in America's poor families. Although that investment will cost money now, it can be expected to save money in the long run as it creates a future of hope and economic independence for many of America's poor children.

B. Background and Need for Legislation

It has been said that "A decent provision for the poor is the test of civilization." The American people have been tested continuously by the specter of poverty. For some groups, such as the elderly, we have received passing grades. For other groups, such as children in poor families, we are on the brink of failure. In the past 20 years, we have seen an alarming increase in the rate of child poverty, an erosion of parental responsibility and initiative, and persistent welfare dependence among a small but troubling segment of the population.

RISE IN CHILD POVERTY

Children displaced the elderly as the poorest group of American citizens in 1974. Since that time, child poverty has grown deeper and more widespread. Today, 20 percent of all American children are poor. Half of these children live in female-headed families. Poverty is also a function of race. Almost half of all Black children and more than one-third of all Hispanic children are poor.

Without a working parent, a child is almost sure to be poor. But having a working parent is not guarantee against poverty. Many children need two earners or cash supplements to one earner's full time wages if they are to escape poverty.

Whether poverty is measured before or after government transfer payments and whether the income counted includes or excludes non-cash benefits and money paid as taxes, child poverty rates rose especially sharply from 1979 to 1983. Although the official count of the poor disregards non-cash benefits, which account for most welfare spending, counting these items does not reverse the trend. If food stamps, school meals, subsidized housing, Medicaid and Medicare are treated as income, the poverty rate is lower, but the steady increase in poverty which began in 1979 continued until 1983.

EROSION OF BENEFITS

A significant contributor to the rise in child poverty has been the steady decline in the value of welfare benefits. The main cash assistance program for poor children is the Aid to Families with Dependent Children (AFDC) program. Yet only 7 million of the nation's 12 million poor children receive AFDC benefits and average AFDC benefits have declined, in real terms, by 33 percent since 1970.

Most AFDC recipients also receive food stamps and while the value of food stamps has increased in recent years to reflect inflation in food prices, the combined value of AFDC and food stamps has declined by 18 percent since 1970. AFDC families also receive Medicaid. Like food stamps, Medicaid expenditures have increased since 1970, a reflection of increased health prices. But the purchasing power of Medicaid benefits has not increased. Not all AFDC families receive other in-kind benefits nor do in-kind benefits always contribute to disposable income. Clearly, the safety net on which these children must rely is tattered.

The need to address child poverty and stem the decrease in benefits transcends humanitarian concern. As our nation ages, the need for skilled workers increases. Today's children, including those that are poor, are tomorrow's workforce. Yet their numbers are declining. In 1995, there will be 4 million fewer youth 16 to 24 years old available for work. This is a 16 percent drop from 1986. We can't afford to let them grow up in poverty, without an adequate education and lacking job skills.

WELFARE DEPENDENCY

The welfare system works remarkably well for most families who rely on it as a short-term source of support during hard times. Between 1970 and 1979, for example, less than one percent of all Americans were long-term (8–10 years) welfare dependent.

Nearly half (45 percent) of the families on AFDC turned to the program after a divorce or separation. Thirty percent resorted to AFDC as an unmarried single parent. Only 12 percent of AFDC families became eligible when the mother's earnings fell, indicating that for most families, earnings were not a significant source of support. Just as divorce is the most common way on the AFDC, marriage is the most common way out. Thirty-five percent of

AFDC families leave AFDC because of a marriage, only 21 percent do so because of increased earnings.

For some families, however, the welfare system has become a dead-end, offering little hope and almost no opportunity. While nearly half of those families who today begin to receive AFDC for the first time will leave the program within two years, the remainder of these families will rely on AFDC for three or more years. A troubling 17 percent will be on AFDC for 8 or more years. Long-term AFDC recipients account for the bulk of AFDC expenditures.

Teenage parent families present special problems. Roughly one-quarter of all teenage mothers rely on AFDC during the year following the birth of their first child. Families with a teen parent are at great risk of becoming long-term dependent. Many of these parent do not complete high school, suffer low self-esteem, and lack the job skills and experience needed to support their families on their own. Little is done today to help them avoid this prospect.

LACK OF CHILD SUPPORT

Child support is one potential source of support for AFDC families, yet the track record on support payments by non-custodial parents is poor. In 1983, of the 8.7 million women who had children present under the age of 21 from an absent father, 42 percent never were awarded child support rights (nor had an agreement to receive child support payments) and, thus, were dependent for income on sources other than the father. For poor mothers, the proportion without child support awards was even higher, 58 percent.

Even those women awarded child support are not guaranteed of receiving payment. In 1983, only one-half of the 4 million women owed child support payments received the full amount, about 26 percent of the women received less than they were owed and 24 percent received no payment at all.

The Child Support Enforcement Amendments of 1984 have contributed to improving this situation but more remains to be done. Paternity establishments—the first step in the child support enforcement process—must be increased and more effective techniques must be found for establishing and enforcing support orders. Inequities exist within States and especially between States that make it difficult to establish and enforce support obligations.

BARRIERS TO SELF-SUFFICIENCY

The most important way to decrease welfare dependence is to help families increase work effort. Many studies of welfare families have indicated that these parents want to work and when given the opportunity, will choose work over welfare. Instead of encouraging work by parents on AFDC, however, the current system discourages it. Parents who go to work often watch their income decline rather than increase.

Some argue that this is because welfare benefits are too high. Given that combined AFDC and food stamp benefits today on average equal only 74 percent of the poverty level, and have declined in recent years, excessive welfare benefits are hardly the problem. The problem is the lack of real work incentives.

The current lack of financial work incentives is in part the result of the enactment of the Reagan Administration proposals in the Omnibus Budget Reconciliation Act of 1981. This Act repealed the continuing availability of the so-called "$30 and one-third" earned income disregard, which allowed AFDC mothers to work at low-wage jobs without losing their AFDC benefits dollar-for-dollar with additional earnings. The result is a nearly 100 percent "tax" on earnings of poor families. This is more than three times higher than the tax rate applied to wealthy individuals under the tax code.

Without reasonable earned income disregards, it is hard for an AFDC mother with two children—the average family on AFDC—to improve her family's standard of living by working at a minimum wage job. AFDC benefits are competitive with minimum wage jobs not becaue AFDC benefits are too high, but because the wages these parents can earn—less expenses and taxes—are too low to support the family.

For example, in 1976, the minimum wage of $2.10 per hour would have supported a family of three at a little above the poverty level. Today, the minimum wage of $3.35 per hour would provide a gross income equal to only 80 percent of the poverty level.

Creating financial incentives—through earned income disregards or otherwise—only increases welfare dependence, if you assume that whenever AFDC benefits are received, even as a supplement to wages, the family is "welfare dependent." Taken to the extreme, this means that a family receiving $10 per month from AFDC is welfare dependent even though that family is earning several hundred dollars each month. These families are not welfare dependent. It makes sense for AFDC to provide a supplement when their earnings are insufficient to support the family.

It is important to encourage parents of young children to participate in work, education, and training activities so that they may avoid long-term welfare dependence. The care and nurturing of their young children is even more important, however. Arbitrary work requirements for these parents may be counterproductive for the children. A better approach is to encourage voluntary participation by parents with very young children. A parent who is motivated to participate and confident about her child care arrangements will make a better student, a better trainee, and ultimately a better employee.

Most American mothers with children under three who work have a husband to help in the care and nurturnig of the children and can afford adequate day care. Unfortunately, single mothers on AFDC cannot rely on someone else to help them care for their children. As a consequence, only about one-third of all never-married mothers with young children (under 6) work. For them to do so, day care and other support services are necessary.

Studies have shown that the potential loss of health benefits for the children often discourages AFDC parents from working and that the staggering cost of child care deters many parents who are otherwise eager to return to the workforce. True welfare reform will eliminate the barriers to work by creating work incentives and easing the transition from welfare to work by providing the support services these families need.

Critics of this legislation have suggested that it will make welfare more attractive than work. They are wrong. H.R. 1720 establishes tougher work requirements than under current law and couples these requirements with meaningful education and training opportunities. The goal, as the President has so well stated, is reducing welfare dependence. H.R. 1720 will accomplish this through the mandatory NETWork program, by restoring financial incentives and offering the transition services that families need in order to go to work, and through better child support enforcement. What this bill also does, however, is make good on our commitment to poor children. It recognizes that poverty among children is a national problem and lays the foundation for steadily improving the quality of their lives. To do otherwise would be to sell short our own future.

C. SUMMARY

H.R. 1720 would replace the Aid to Families with Dependent Children (AFDC) program with a new Family Support program which encourages the family to be its own source of support through work, payment of child support, and when necessary, need-based family support supplements.

A. TITLE I.—NATIONAL EDUCATION, TRAINING AND WORK (NETWORK) PROGRAM

1. *State Plan Requirement.*—As a condition for receiving Title IV-A funds, States would be required to establish a National Education, Training, and Work (NETWork) program.

2. *Establishment and State Operation.*—State IV-A agencies would be required to submit a plan, subject to the approval of the Secretary, which would make the program available in each political subdivision of the State where it is feasible. Involvement of the private sector and local governments would be required in planning and program design to assure that participants are trained for jobs that will actually be available in the community. Federal funds available under NETWork would augment existing services and could not replace State or local funds.

3. *Participation Requirements.*—All adult recipients who are not working full-time would be informed of the education, training, and work activities offered under the program. Non-exempt recipients would be required to participate as resources permit.

4. *Coordination with Existing Recipient Activities.*—If an adult caretaker or dependent child is already attending school or training designed to lead to employment, such attendance would be regarded as satisfactory participation in the NETWork program. The costs of such school or training would not be paid by the NETWork program, however, support services would be provided as long as the activities are enumerated in the family support plan.

5. *Target Populations.*—Although States would be permitted to require participation by any non-exempt recipient, States would be required to first extend the opportunity to participate to certain target populations including: (a) families with teenage parents, and families with parents who were under age 18 when their first child was born; (b) families who have been receiving benefits continuous-

ly for two or more years; and (c) families with children under six (6) years of age.

6. *Service Priorities.*—State programs would be required to serve volunteers in the target populations first, followed by manadatory participants in the target populations. Mandatory participants with older children would be the third priority for service followed by all other volunteers and all other mandatory participants. These priorities woul not apply to States that certify that they will serve all mandatory participants and volunteers within three years after the effective date of NETWork in the State.

7. *Exemptions.*—Certain individuals would be exempt from participation. These include: a person who is ill, incapacitated or age 60 or more; a person needed in the home because of the illness or incapacity of another family member; a child under the age of 16; a person working at leat 20 hours per week; a pregnant woman; and a person who resides in an area of the State where the NETWork program is not offered.

In addition, the parent or other relative of a child under the age of three (3) would be exempt. Participation by parents of children between the ages of 3 and 6 would be part-time. Parents of children under the age of three (3) but over the age of one (1) could be required to participate with the approval of the Secretary of Health and Human Services if the State demonstrates that appropriate infant care can be guaranteed within the dollar limitations of the Act and participation is part-time.

8. *Orientation.*—States would be required to provide eligible applicants and recipients of Title IV–A benefits with orientation to NETWork, including a description of day care services that will be available during NETWork participation as well as information about the transitional day care and Medicaid services that will be offered.

9. *Assessment Activities.*—An assessment would be made of the educational needs, skills, and employability of any person will actually participate in the NETWork program. On the basis of the assessment, a family support plan would be developed by the State agency and the recipient. The family support plan would detail the length of participation and the activities to be undertaken by family members and the State agency and would become the basis for an agency client agreement to be signed by the State and the recipient. Each participating family would be assigned an agency staff person to privide case management services.

10. *Agency-Client Agreement and Case Management.*—The State agency and the client would be required to negotiate an agreement detailing all of the responsibilities of both parties under the NETWork program. Notice of the opportunity for a fair hearing would be required to be given to the participant by the State agency in the event of a dispute involving the signing of the agreement or the nature or extent of participation. States would be required to provide case management services to each NETWork participant, including monitoring and reviewing client progress and renegotiating if necessary. Agreements between States and clients would not create a cause of action against the Federal government if the terms are not observed by any party.

11. *Sanctions.*—Mandatory participants who fail to cooperate during the course of the program would be sanctioned. In the case of a single parent family, the non-cooperating individual would be removed from the grant. In the case of a two-parent family, one or both parents could be removed from the grant for failure to cooperate. Regardless of family composition, benefits to the children would continue.

12. *Range of Activities.*—Each State would be required to offer participants without a high school diploma the opportunity to participate in an education program. In addition, each State would be required to offer: remedial education, English as a Second Language instruction, and specialized advanced education as appropriate; group and individual job search; skills training; job readiness activities; as well as counseling and information and referral for those experiencing personal and family problems which prevent work.

States would be further required to offer two of three remaining activities: short and long term on-the-job training; work supplementation (grant diversion); a community work experience program and other education and training activities.

13. *Activities for Children.*—States would be required to provide additional services to the children not otherwise in participating families designed to help them stay in school and complete a high school education as well as to obtain a marketable job skill. In addition, States would be required to coordinate NETWork with early childhood education programs in the State.

14. *Work Supplementation Program.*—States would be able to establish work supplementation programs in which the AFDC benefit is used to subsidize a job. Along with certain technical and conforming amendments, States would be required to extend Medicaid for work supplementation participants.

15. *Community Work Experience Program (CWEP).*—The current authority for "workfare" programs would be modified to limit the length of participation to six (6) months, require that CWEP be combined with training, prohibit reassignment to CWEP and prohibit recipients from being required to work off any child support collected by the State on their behalf. In addition, States would be permitted to operate a three-month work experience program in which the hours of participation in training and work could not exceed 30 hours per month.

16. *Placement Services.*—Each State program would include job development and job placement services necessary to assist participants in securing and retaining employment.

17. *Wage Rates, Working Conditions and Displacement Prohibitions.*—Wage rates for jobs to which participants are assigned would be not less than the current pay scale for that job. In the absence of a current pay scale for the job of that particular employer, wages would be at least equal to the minimum wage under applicable Federal or State law.

Further, participants could not be assigned to employers who have terminated employment or laid off employees with the intention of filling the vacancies with NETWork participants. NETWork participants could not be assigned to jobs that infringe on promotional opportunities of current employees and CWEP participants could not fill established unfilled vacancies.

18. *Regulations.*—The Secretary would be required to publish proposed regulations within 6 months after the date of enactment and final regulations within 9 months after the date of enactment. The Secretary would be required also to consult with the States in developing the regulations.

19. *Performance Standards.*—The Department of Health and Human Services, in consultation with the Department of Labor and others, would be required to develop performance standards for the program within one year after enactment.

20. *Program Administration and Financing.*—The NETWork program would be operated by the State welfare agency and would be authorized under Title IV-A of the Social Security Act. In carrying out the purposes of the program, States could contract with public or private agencies and organizations to provide any of the required services. Federal reimbursement of NETWork program costs would equal 65 percent; the State share would equal 35 percent. The Federal match could be altered in future years based on performance. In addition, the Federal government would pay 50 percent of the costs of basic AFDC and NETWork administration.

21. *Coordination.*—Program activities under NETWork would be coordinated by the States with programs operated under the Job Training Partnership Act and any other relevant employment, education or training program available in the State. In addition, the State's NETWork plan would be submitted to the State Job Training Coordinating Council for review and comment 90 days before submission to the Department of Health and Human Services.

22. *Evaluation, Research, and Technical Assistance.*—The Secretary would be required to evaluate activities under NETWork. Research would be required to examine: the effectiveness of giving priority to volunteers; appropriate strategies for assisting two-parent families; the wage rates of individuals placed in jobs; the approaches that are most effective in meeting the needs of specific groups and types of participants; and the effect of targeting on families that include children below the age of six. Also, the Secretary would be required to provide technical assistance to States, localities, schools, and employers who participate in the program and who need such assistance.

23. *Reporting Requirements.*—The Secretary would be required to establish uniform reporting requirements. At a minimum, this must include: average monthly number of families assisted, types of families, amounts spent per family, and length of participation. This information would be required to be reported for each of the services provided under NETWork.

24. *Demonstration Projects.*—General work, education, and training demonstration authority under section 1115 of the Social Security Act would be authorized. Four other demonstrations also would be authorized: (1) demonstration projects targeted at Title IV-A children would test financial incentives, and interdisciplinary approached to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; (2) 5 State demonstration projects would encourage States to employ AFDC/FSP mothers as paid day care providers; (3) five State/local demonstration projects

would test the elimination of the "100 hour rule"; and (4) ten State demonstrations would test volunteer-based early childhood development programs.

25. *Effective Date.*—The NETWork program would take effect on October 1, 1989. States could elect to participate in NETWork at any time after proposed regulations have been issued.

B. TITLE II.—DAY CARE, TRANSPORTATION AND WORK-RELATED EXPENSES

1. *Day Care Expenses of AFDC/FSP Recipients.*—Reimbursement of day care expenses would be authorized under Title IV-A of the Social Security Act and would be available to recipients in school, training or work. States would be given flexibility to determine the delivery mechanism and could provide day care services by contract, certificate or disregard of actual expenses. States electing the disregard approach would be required to deduct care last after other disregards have been applied. Whenever possible, day care services would be available prospectively to recipients who are about to begin work, training or school.

2. *NETWork Participant Expenses.*—States would be required to pay up to $100 per month for transportation and other work-related expenses of NETWork participants. If the participant must travel 100 miles or more to the NETWork assignment, reimbursement could be as much as $200 per month.

3. *Day Care Transition.*—Under Title IV-A of the Social Security Act, a new day care transition subsidy would be created. This subsidy would be available to working families for six months after leaving AFDC/FSP. The subsidy would be based on need, according to a sliding scale that considers the family's ability to pay.

4. *Financing.*—Federal reimbursement of the day care costs for AFDC/FSP recipients and for transition day care subsidies would be limited to actual costs up to $175 per month per child age two (2) and older and $200 per month per child under the age of two (2). The Federal share would be determined using the AFDC/FSP benefit matching formula. States could supplement these amounts with State dollars.

5. *Minimum Health and Safety.*—Funds expended for child care services to individuals caring for more than two children at one time would be required to meet standards set by the state which, at a minimum, ensure basic protections for health and safety. In addition, day care provided must meet applicable standards of State and local law.

6. *Limitations on Treatment of Day Care Expenses.*—The value of any day care provided or reimbursed would not be treated as income for any Federal needs-based program and could not be claimed as an employment-related expense for purposes of the dependent care credit.

7. *Evaluation of Child Care Resources.*—States would be required to assess regularly the availability and reliability of child care services and to develop new child care resources as needed. States also would be required to coordinate with other child care resources in the State.

8. *Demonstration Projects to Test Use of the Food Stamp Licensed Vehicle Rules.*—A five-State, five-year test of applying the Food Stamp program licensed vehicle value limits would be authorized. At least one rural and one urban State must be selected.

9. *Effective Date.* The day care policy would take effect on October 1, 1987.

C. TITLE III.—REWARDS FOR WORK

1. *Work Incentives.*—To further encourage work, the current earned income disregards would be replaced. For recipients, the first $100 of earnings plus 25 percent of remaining earnings would be disregarded. The disregards would not be time-limited and the $100 deduction would be adjusted for inflation annually. The current State option to disregard Job Training Partnership Act income would be retained and would apply to minor parents as well as dependent children.

2. *Treatment of Earned Income Tax Credit.*—The earned income tax credit would be disregarded for AFDC/FSP purposes.

3. *Effective Date.*—The provisions of this Title would take effect on October 1, 1988.

D. TITLE IV.—TRANSITION HEALTH CARE

1. *Medicaid Extension.*—Medicaid eligibility would be extended for six months to working families who leave AFDC/FSP. When families leave AFDC/FSP with private health insurance, Medicaid is the last payer.

2. *Effective Date.*—The effective date for the Medicaid transition policy is October 1, 1988.

E. TITLE V.—CHILD SUPPORT IMPROVEMENTS

1. *Uniform Guidelines.*—States would be required to use uniform guidelines as a rebuttable presumption in setting child support awards. The guidelines would have to be reviewed every three years and modified to reflect changes in the cost of living. States also would be required to provide for the periodic review of child support award amounts to assure that the order remains in full compliance with the guidelines. Updating would have to occur at least every two years. Notice would be given to both parents.

2. *Paternity Establishment.*—In FY 1989, States would be required to establish 50 percent more paternities under Title IV-D of the Social Security Act than were established in FY 1986. In each subsequent year, paternity establishments are to increase by 15 percent. States would be required to use blood tests and a 95 percent probability index from blood tests as a rebuttable presumption of paternity and would be encouraged to establish a simple voluntary civil procedure for admitting paternity and a civil procedure for establishing paternity in contested cases.

States would be permitted, for purposes of computing the cost effectiveness ratios, to impute $100 per month for 12 months in all cases in which they have established paternity. The bill also clarifies the authority to establish paternity until a child reaches 18 years of age, which was included in the Child Support Enforcement Amendments of 1984.

3. *Visitation Demonstrations.*—Demonstration projects would be authorized to determine the magnitude of the visitation and custody problem and to test solutions. Demonstration projects could not allow the child support payment to be withheld pending visitation.

4. *Performance Standards.*—The Department of Health and Human Services would be required to establish limits governing how much time may elaspe between application and the onset of legal action with respect to requests to establish paternity, locate a missing parent, establish an order, or enforce an order. Also, the Department would be required to collect data on the number of requests for the various child support enforcement services.

5. *Automatic Tracking and Monitoring.*—By October 1, 1992, States would be required to have an operational automated data processing system. The 90 percent Federal match for these purposes would be eliminated on that date.

6. *Automatic Wage Withholding and Compliance with the 1984 Amendments.*—Six months after the date of enactment, the Federal child support matching rate would be reduced to 66 percent for States that are not in compliance with the Child Support Enforcement Amendments of 1984. This penalty is in addition to penalties in current law. For States that have enacted and use an automatic wage withholding system and are in compliance with the 1984 amendments, the Federal matching rate would be permanently set at 70 percent.

7. *Child Support Disregard Clarification.*—Clarifies that States are required to pay to the family $50 of child support payments whenever the absent parent makes a timely payment. This policy applies to all families applying for or receiving AFDCFSP.

8. *Treatment of Interstate Funds.*—The costs of interstate enforcement demonstrations would not be included in computing State incentive payments.

9. *Work and Training Demonstration Projects.*—Demonstration projects would be authorized to test whether noncustodial parents who cannot pay child support can be encouraged to participate in work, education and training programs.

10. *Interstate Commission and Study of the Costs of Raising Children.*—An interstate commission would be established to examine the problems of interstate child support establishment and enforcement and to develop a new model interstate law. In addition, a study would be conducted on the costs of raising children including the patterns of expenditures on children in two-parent families, in single parent families following divorce and in single parent families in which parents were never married.

11. *Access to INTERNET System.*—The Federal Parent Locator Service (FPLS) and the State child support agencies would be given access to the INTERNET system funded by the Department of Labor. The system contains information on place of employment, social security number, and addresses of employees that is currently used in the unemployment compensation system.

12. *Effective Date.* In general, the provisions of this title would be effective on October 1, 1988.

F. TITLE VI.—PRO-FAMILY WELFARE POLICIES

1. *AFDC-UP.*—Beginning on January 1, 1990, all States would be required to implement the AFDC-Unemployed Parent program. Under this program, two-parent families in which the principal earner is unemployed may qualify for AFDC/FSP benefits.

2. *Special Provisions for Minor Parents.*—States would be required to provide case management services for minor parent families. Minor parents generally would be required to live at home with their parent(s) or in other supportive living arrangements in order to qualify for AFDC/FSP. For those living at home, the current rule, which requires States to consider the income and circumstances of the parent of a minor child when determining eligibility [if the minor is living with her parent(s)], would be repealed.

States would be permitted to require school attendance by the minor parent and require that the minor parent participate in training in parenting and family living skills, including nutrition and health education if day care is guaranteed and participation is part-time.

G. TITLE VII.—BENEFIT IMPROVEMENTS

1. *Annual Evaluation.* Each State would be required to re-evaluate its AFDC/FSP need and payment standards annually and report the results of this evaluation to the Secretary of Health and Human Services and the public.

2. *Enhanced Federal Match.*—Beginning on October 1, 1988, States would receive a higher Federal match for AFDC/FSP benefit increases. To accomplish this, the Federal match would be increased by 25 percent for any AFDC/FSP benefit increases. States would be prohibited from lowering benefits below the current nominal level. A study of the implementation and effect of this provision would be required 3 and 5 years after enactment.

3. *Minimum Benefit Study.*—The National Academy of Sciences would study alternative minimum benefit proposals, including a family living standard, weighted national median income, State median income and the poverty level.

H. TITLE VIII.—MISCELLANEOUS PROVISIONS

1. *AFDC-Food Stamp Coordination.*—A commission would be established to study and make recommendations on AFDC-food stamp coordination.

2. *Uniform Reporting Requirements.*—Standard reporting requirements would be established for this Act and for the social services block grant authorized under Title XX of the Social Security Act.

3. *New York State Demonstration.*—The Secretary of Health and Human Services would be authorized to permit the State of New York to test a child support demonstration program as an alternative to the existing public assistance system.

4. *Homeless Families.*—Demonstration projects would be authorized to test whether emergency assistance payments to homeless families can be reduced through the construction or renovation of permanent housing.

5. *Washington State Demonstration.*—The Secretary of Health and Human Services would be authorized to grant waivers for the State of Washington to carry out its Family Independenc Program.

6. *Interagency Panel.*—An interagency panel to evaluate employment and training activities and demonstrations would be established under the Secretary. Panel representatives would be from the General Accounting Office, Congressional Research Service, Congressional Budget Office, and the Office of Management and Budget.

7. *American Samoa.*—The AFDC program would be extended to American Samoa to the same extent and under the same conditions that AFDC is available to the territories and the Commonwealth of Puerto Rico. Funds would be limited to $1 million per year.

8. *Increased Funds for the Territories.*—The ceiling on funds to the Commonwealth of Puerto Rico, Guam and the Virgin Islands would be permanently increased by $10 million. The funds would be distributed as follows: Commonwealth of Puerto Rico, $9.27 million; Guam, $425,000; and Virgin Islands, $309,000. In addition, a study would be conducted to identify ways to correct the obvious imbalances that exist among the territories, and between the territories and the States.

9. *Study of Housing Problems.*—An interagency working group staffed by the Department of Health and Human Services and the Department of Housing and Urban Development would report to Congress the results of a study of housing problems experienced by AFDC recipients, particularly transient families. Data on the number of evictions, the available housing stock and successful innovative programs would be included. The study would be due within six (6) months after the date of enactment and would include recommendations for action.

10. *Sanction for Failure to Complete Treatment for Drug or Alcohol Abuse.*—Upon notice from a treatment program, benefits for any AFDC/FSP recipient who refuses to participate in, and complete, a drug or alcohol abuse treatment program would be terminated.

II. EXPLANATION OF PROVISIONS

SECTION 1.—SHORT TITLE AND TABLE OF CONTENTS

Present Law

No provision.

Explanation of Provision

Section 1 establishes the short tile of H.R. 1720 to be the "Family Welfare Reform Act of 1987" and provides a table of contents for the bill.

SECTION 2.—AFDC REPLACED BY FAMILY SUPPORT PROGRAM

Present Law

Title IV-A of the Social Security Act provides for payment of Aid to Families with Dependent Children (AFDC) in accordance with approved State plans.

Explanation of Provision

The bill would replace AFDC with a new Family Support Program as described in the following sections. The requirement for an approved State plan would be retained.

A. TITLE I.—NATIONAL EDUCATION, TRAINING AND WORK (NETWORK) PROGRAM

Under present law, authority for AFDC work activities is included in two titles of the Social Security Act: Title IV-A, which authorizes the Aid to Families with Dependent Children (AFDC) program and Title IV-C, which authorizes the Work Incentive (WIN) program. Title IV-A identifies the AFDC recipients who are required to register for WIN and includes authority for several work and training activities, including job search, work supplementation, and community work experience programs. Title IV-C authorizes the WIN program, which can provide assessment, training, employment and other employment-related activities, including job search for AFDC recipients. In FY 87, WIN funding totals $110 million and is scheduled to expire on June 30, 1987; the House supplemental appropriations bill includes additional WIN funds for the remainder of FY 87.

H.R. 1720 does not make substantive amendments to Title IV-C. It does, however, sever the connection between AFDC and WIN and proposes a new work, education and training program for eligible AFDC applicants and recipients within Title IV-A of the Social Secuirty Act. A detailed description of this new program follows.

1. *State Plan Requirement* (Sec. 101(a) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require each State, as a condition of receiving Title IV-A funds, to establish an education, training and work program.

2. *Establishment and Operation of State Programs* (Sec. 101(b) of the bill).

Present Law

No title IV-A requirement.

Explanation of Provision

The bill would require each State Title IV-A agency to submit a plan, subject to the approval of the Secretary, providing that the NETWork program be available in each political subdivision of the State where it is feasible.

The NETWork program would be administered by the Title IV-A agency. Federal funds available under the NETWork program would augment and expand existing services and could not replace or supplant State or local funds.

Private sector and local government participation would be required in planning and program design. In addition to assuring coordination and consultation, this requirement is intended to assure that the State program is responsibe to the needs of the local communities, that participants are trained for jobs that will actually be available in the community, and that, when appropriate, the capacity of local governments to deliver the services be considered and accommodated in planning the program.

The Committee recognizes that the basic AFDC/FSP program is not locally administered in many States. However, the need for private sector and local government involvement in NETWork planning and design transcends the State administrative arrangement. Further, the Committee expects that private sector participation will be coordinated through and, when the State Title IV-agency determines it appropriate, provided by the private industry councils authorized under the Job Training Partnership Act. Local government participation should include local welfare agencies, local public schools, community colleges and local vocational training institutions, and local employment and training agencies.

3. *Participation Requirements and Exemptions* (Sec. 101(c) of the bill and Secs. 402(a)(19) and 407 of the Social Security Act).

Present Law

Present law requires non-exempt individuals to register with the Department of Labor for manpower services, training, employment and other employment-related activities, including job search.

The following individuals are exempt from participation: (a) a child under age 16 who is attending school; (b) a person who is ill, incapacitated or of advanced age; (c) a person who lives in a remote area; (d) a person needed in the home because of family illness or incapacity of a family member; (e) the parent or other relative of a child under the age of 6 who is personally providing care for the child with only very brief and infrequent absences; (f) a person who is working at least 30 hours per week; and (g) a pregnant woman if the child is expected to be born within 3 months.

States are required to inform the parent or other relative caring for a child under 6 of the option to register and of the child care services (if any) that will be available. In addition, HHS has used the demonstration authority in section 1115 of the Act to permit States to require registration by parents of children under the age of 6. Current law exempts one parent in a two-parent family from participation.

Explanation of Provision

The bill would require participation by non-exempt adults if the program is available and resources otherwise permit. It also would require the State to inform all title IV-A recipients of the program. States would be required to ensure participation of volunteers to the maximum extent possible.

States also would be required to designate three target populations: (a) families with teenage parents and families with parents who were under age 18 when their first child was born; (b) families that have been receiving Title IV-A benefits continuously for 2 or more years; and (c) families with children under 6 years of age.

The bill would exempt from participation: (a) an individual who is ill, incapacitated or 60 years or older; (b) an individual needed in the home because of the illness or incapacity of a family member; (c) an individual who is working 20 or more hours per week; (d) a woman who is pregnant; (e) an individual who resides in an area of the State where the program is not available; and (f) an individual under age 16, except for minor parents required to participate by a State.

The bill would exempt from participation the parent or other relative of a child under 3. Parents of children between the ages of 3 and 6 would be required to participate, as State resources permit. Such participation must be part-time with day care guaranteed. The Secretary could permit a State to require participation by parents of children under the age of 3 and over the age of 1 if participation is part-time and the State can demonstrate appropriate infant care can be guaranteed within the dollar limitation ($200 per month per child under 2 and $175 per month per child 2 and over) established by the Act.

Also, the bill would establish that, in a two-parent family, the exemptions would apply to one parent only. States would be permitted to require participation by both parents if appropriate child care is guaranteed.

4. *Coordination with Existing Recipient Activities* (Sec. 101(c)(5) of the bill).

Present Law

No provision.

Explanation of Provision

The bill provides that if the adult caretaker or a dependent child is already attending school or training designed to lead to employment, such attendance may constitute satisfactory participation in the program, but the costs of such shcool or training would not be Federally reimbursable expenses under Title IV-A. Also, the bill would provide for support services in these cases, as long as the activities are a part of the family support plan.

5. *Service Priorities* (Sec. 101(d) of the bill).

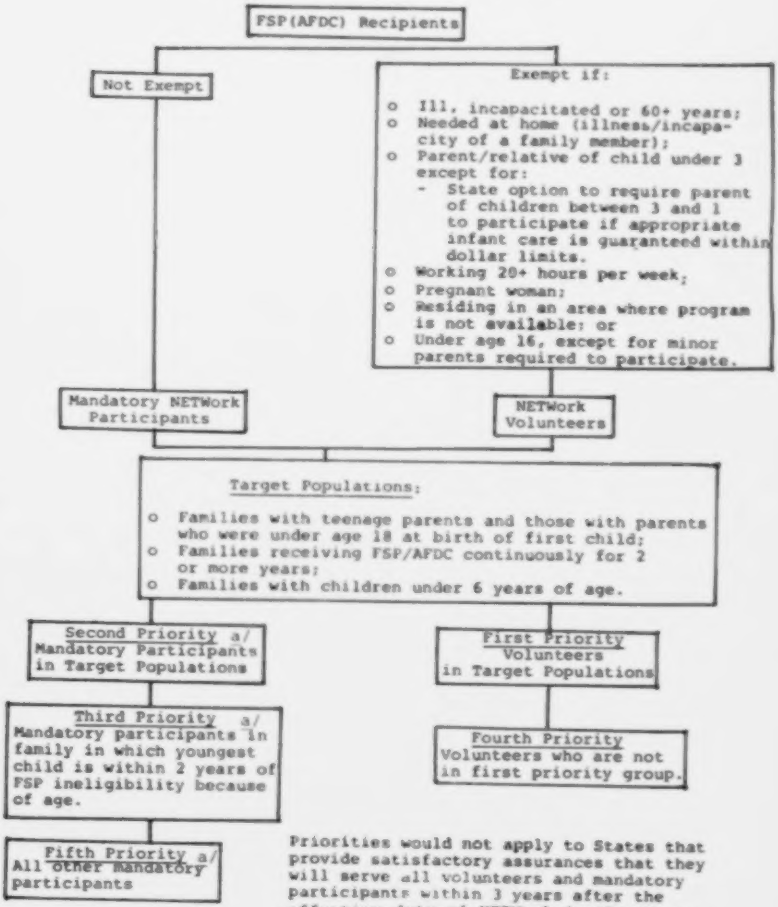
Present Law

No Title IV-A requirement.

Explanation of Provision

To the extent that State resources do not permit the inclusion in the program of all mandatory participants and volunteers, services are to be provided according to the following priorities: (a) first priority to volunteers in the target populations (see item 3); (b) second priority to mandatory participants in the target populations; (c) third priority to mandatory participants in a family in which the youngest child is within 2 years of becoming ineligible for benefits because of age; (d) fourth priority to all other volunteers; and (e) fifth priority to all other mandatory participants. Within priority groups, States must give preference to individuals who actively seek to participate. (See Flow Chart of NETWork Participation Rules.)

FLOW CHART OF NETWork PARTICIPATION RULES


FSP(AFDC) Recipients
Not Exempt
Exempt if:
o Ill, incapacitated or 60+ years;
o Needed at home (illness/incapacity of a family member);
o Parent/relative of child under 3 except for:
- State option to require parent of children between 3 and 1 to participate if appropriate infant care is guaranteed within dollar limits.
o Working 20+ hours per week;
o Pregnant woman;
o Residing in an area where program is not available; or
o Under age 16, except for minor parents required to participate.
Mandatory NETWork Participants
NETWork Volunteers
Target Populations:
o Families with teenage parents and those with parents who were under age 18 at birth of first child;
o Families receiving FSP/AFDC continuously for 2 or more years;
o Families with children under 6 years of age.
Second Priority a/ Mandatory Participants in Target Populations
First Priority Volunteers in Target Populations
Third Priority a/ Mandatory participants in family in which youngest child is within 2 years of FSP ineligibility because of age.
Fourth Priority Volunteers who are not in first priority group.
Fifth Priority a/ All other mandatory participants

Priorities would not apply to States that provide satisfactory assurances that they will serve all volunteers and mandatory participants within 3 years after the effective date of NETWork in the State.

a/ First consideration would be given to those actively seeking to participate.

However, some States may plan to serve all mandatory participants and volunteers, but will find it necessary to phase in the program over several years in order to meet that goal. As a result, the bill provides that these priorities would not apply to States that provide satisfactory assurances that they will serve all mandatory participants and volunteers within three years after the effective date of the State's NETWork program. This will give States added flexibility to achieve the goals of H.R. 1720 without disrupting State plans for implementing comprehensive education, employment and training programs for AFDC/FSP recipients.

6. *Orientation* (Sec. 101(e) of the bill).

Present Law

No orientation to work activities is required. States are required to describe the day care services (if any) that will be available to the parent or other relative caring for a child under 6. The mother is permitted to choose the type of day care when more than one kind is available.

Explanation of Provision

The bill would require that the State provide eligible applicants and recipients of Title IV-A benefits with orientation to NETWork, including descriptions of day care services and available health coverage transition options. The orientation must be designed to provide full information about the opportunities offered by the NETWork program and must also describe the obligations of participants. The orientation would be provided to all AFDC applicants and recipients.

7. *Assessment and Family Support Plan* (Sec. 101(f) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require the States to assess the educational needs, skills and employability of each participant in the program, and to review family circumstances and the needs of the children. It would require that a family support plan be negotiated by the adult caretaker and the State agency. The plan must be based on the assessment. The family support plan must detail all of the activities which will be undertaken and, to the maximum extent possible, should reflect the preferences of the family members involved.

8. *Agency-Client Agreement and Case Management* (Sec. 101(g) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the State agency and the participant to negotiate an agreement detailing the responsibilities of both parties under the NETWork program. The participant would have to be given an opportunity for a fair hearing in the event of a dispute involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of the participation in the program, or any other aspect of participation, including a dispute involving the imposition of sanctions and the participant's right to conciliation before a sanction is imposed. In addition, the State would be required to provide case management services to each family participating in NETWork. If the terms of the agreement are not observed by any party, this would not be a cause of action against the Federal government.

9. *Range of Services and Activities* (Sec. 101(h) of the bill and Secs. 402(a)(35), 409 and 1115 of the Social Security Act).

Present Law

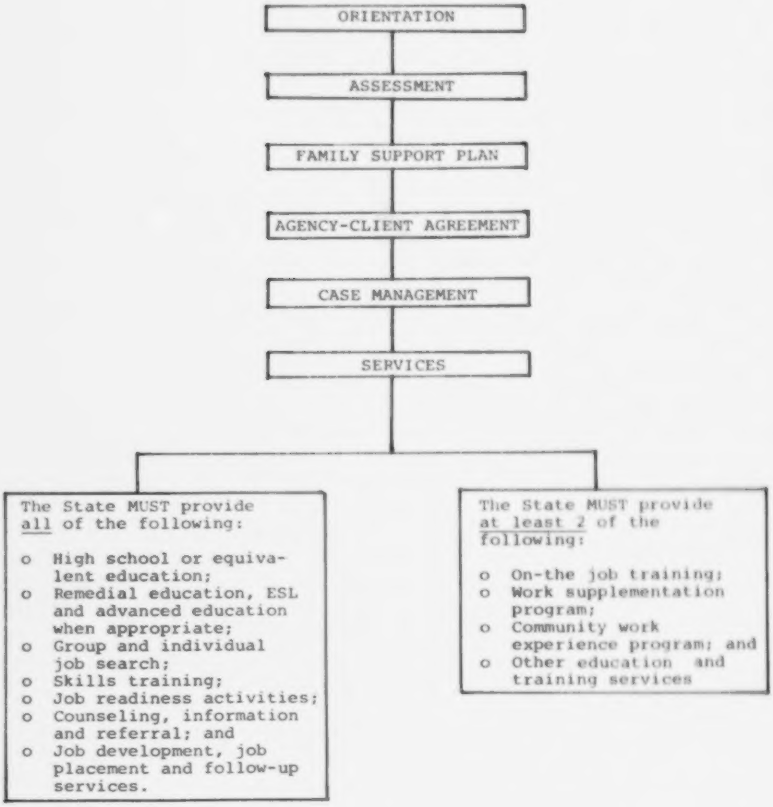
States are permitted to require: (a) applicant and recipient job search; and to operate (b) community work experience programs (CWEP); and (c) work supplementation programs. Additional work-related activities are authorized under Title IV-C. Children over the age of 16 who are not in school are required to register for WIN.

Explanation of Provision

The bill would require that States provide a broad range of services including 9 of the following: (a) high school or equivalent education; (b) remedial education, English as a Second Language (ESL) and advanced education as appropriate; (c) group and individual job search; (d) on-the-job training; (e) skills trraining; (f) work supplementation programs; (g) community work experience programs; (h) job readiness activities; (i) counseling, information and referral; (j) job development, job placement and follow-up services; and (k) other education and training activities as determined by the State and allowed by the Secretary. (See Flow Chart of NETWork Services

The bill would require States to make items (a), (b), (c), (e), (h), (i), and (j) available plus at least two of the other activities described. States must encourage children not otherwise in participating families to take in any of the program activities and provide additional services designed to help children stay in school and obtain marketable job skills. Training activities could no interfere with school attendance.

FLOW CHART OF NETWork SERVICES


ORIENTATION
ASSESSMENT
FAMILY SUPPORT PLAN
AGENCY-CLIENT AGREEMENT
CASE MANAGEMENT
SERVICES

The State MUST provide all of the following:

- High school or equivalent education;
- Remedial education, ESL and advanced education when appropriate;
- Group and individual job search;
- Skills training;
- Job readiness activities;
- Counseling, information and referral; and
- Job development, job placement and follow-up services.

The State MUST provide at least 2 of the following:

- On-the job training;
- Work supplementation program;
- Community work experience program; and
- Other education and training services

NETWork is a comprehenssive program designed to provide education, training, day care subsidies and transportation reimbursement to AFDC families. There are services to AFDC families, not cash income. Therefore, the Committee expects that the value of these services shall not be counted in determining eligibility for other Federal programs such as subsidized housing and food stamps or the amount of such benefits.

10. *Working Conditions, Wage Rates, and Displacement* (Sec. 101(h)(4), 101(h)(5), 101(h)(6), and 101(h)(7) of the bill and Sec. 409(a) of the Social Security Act).

Present Law

Under current law, community work experience programs (CWEP) must provide appropriate standards for health, safety, and other relevant conditions. Community work experience programs may not result in the displacement of persons currently employed, or the filling of established unfilled vacancies. Hours of CWEP participation are determined by dividing the Title IV–A benefit by the minimum wage. The State agency is required to provide appropriate worker's compensation.

Explanation of Provision

The bill establishes rules for working conditions, wage rates and a prohibition on displacement that would apply to all activities under NETWork. Specifically, it would require work assignments to be consistent with the physical capacity, skills, experience, health, family responsbilities and place of residence of the participant. The State also would have to assure appropriate standards for health, safety, and working conditions.

The bill would prohibit displacement of currently employed workers and would prescribe a two-tiered procedure for determining whether displacement has occurred. A State level grievance procedure would be used for complaints about the NETWork program and its activities from participants, subgrantees, subcontractors, and other interested persons. State decisions on displacement and promotion infringement complaints could be appealed to the Secretary of Health and Human Services. The bill also provides that the existence of the grievance procedure does not preclude civil action or the pursuit of other remedies authorized under Federal, State or local law.

Participants could not be assigned to employers who have terminated employment or laid off employees with the intention of filling the vacancies with NETWork participants. NETWork participants could not be assigned to jobs that infringe on promotional opportunities of current employees and CWEP participants could not fill established unfilled vacancies.

Wage rates for positions to which participants are assigned would have to meet certain standards. In the case of work subsidized with Federal Title IV–A funds—such as the community work experience program (CWEP), and work supplementation—the wages must equal the current pay scale for that job for that employer. The pay scale is established employer by employer. It is not established on an area-wide basis combining many employers as Davis-Bacon Act wage rates are. In the absence of a current pay scale for that job, wages must equal the applicable Federal or State minimum wage. Unsubsidized jobs in which recipients may work would not be affected by the pay scale language. The effect of this language is simply to provide that two workers with similar skills and experience who are performing the same job for a particular organization should be paid the same wage level if the Federal government is in part subsidizing the wages. In addition, appropriate worker's compensation would have to be provided.

States would be prohibited from requiring a participant to accept a job if it would result in a net loss of income (including the insurance value of any health benefits) to the participant or family.

11. *Coordination* (Sec. 101(h)(9) of the bill).

Present Law

No Title IV-A requirement.

Expanation of Provision

The bill would require coordination of NETWork with JTPA and other relevant employment, training and education programs in the State. States would be encouraged to establish an advisory committee. In addition, the State's NETWork plan would be submitted to the State Job Training Coordinating Council for review and comment 90 days prior to submission to the Department of Health and Human Services. Those components of the State plan for NETWork which relate to job training and work place preparation must be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under Section 121 of the Job Training Partnership Act.

The bill also would require coordination of NETWork with existing early childhood education programs within the State.

12. *State Service Contracts* (See 101(h)(11) of the bill).

Present Law

No provision.

Explanation of Provision

Permits the State to contract with public or private agencies for any of the services or activities made available under the program. The NETWork program does not replace or supplant existing education and training programs in the States. Instead, it is designed to provide additional resources to the States and to target those resources to serve the needs of AFDC/FSP families. The Committee expects that, whenever appropriate, the funds authorized under this bill will be combined with other State resources and that the Title IV-A agency will contract with existing providers of education and training services whenever the title IV-A agency determines it would be appropriate to do so.

13. *Work Supplementation Program* (Sec. 101(i) of the bill and Sec. 414 of the Social Security Act).

Present Law

Present law permits States to operate a work supplementation program for volunteers in which all or a portion of the Title IV-A benefit is used to subsidize a job. The subsidy may last for up to 9 months. States may continue Medicaid eligibility for participants.

Explanation of Provision

The bill keeps current law, with certain technical, clarifying, and conforming amendments. In addition, it would *require* States to continue Medicaid eligibility for participants.

14. *Community Work Experience Program (CWEP)* (Sec. 101(j) of the bill and Sec. 409 of the Social Security Act).

Present Law

States may, at their option, operate community work experience programs in which participants perform unpaid work in exchange for Title IV-A benefits. The maximum number of hours of work is equal to the Title IV-A benefit divided by the minimum wage.

Community work experience programs must be designed to improve the employability of participants through actual work experience and training and to enable participants to move promptly into regular public or private employment. CWEP is limited to projects which serve a useful public purpose in fields such as health, social services, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience and skills of a recipient must be used in making work experience assignments.

Explanation of Provision

The bill would permit States to operate two forms of community work experience programs in which participants perform unpaid work and receive training in exchange for Title IV-A benefits. Reassignment to CWEP would be prohibited.

The first program option would require participants to work and to receive training for a period not exceeding 6 months, with the maximum number of hours required to work equal to the IV-A benefit divided by the current hourly pay scale for the position in which the participant works or, if there is no current pay scale for that position, by the appropriate minimum wage. In States electing this option, the portion of an individual's benefit for which the State is reimbursed by a child support payment shall not be taken into account in determining the number of hours to be worked.

Under the second option, participants would be required to perform unpaid work experience and to receive training for not more than a combined total of 30 hours per week for a period not exceeding 3 months.

15. *Job Search* (Sec. 101(k) of the bill and Sec. 402(a)(35) of the Social Security Act).

Present Law

Under current law, States may operate a job search program for applicants and recipients.

Explanation of Provisions

The bill would require States to establish and implement a job search program. Any job search requirement must be part of the family support plan. States would have flexibility with respect to the timing of the job search activity. Job search could occur while the application is being processed, after assessment, after education and training and at other appropriate times during NETWork participation. The bill stipulates that participation in job search alone shall not be sufficient to qualify as participation if the job search does not result in employment. Further, a job search requirement may not delay an applicant's eligibility determination or payments.

16. *Sanctions for Failure to Participate* (Sec. 101(1) of the bill and Sec. 402(a)(19) of the Social Security Act).

Present Law

Mandatory WIN registrants are penalized for failure without good cause to participate in WIN by reducing or eliminating Title IV-A benefits. In a single-parent family, the noncooperating individual is removed from the grant. In a two-parent family, the entire family is ineligible. Regulations require sanctions to continue for 3 months in the first instance of failure to cooperate and for 6 months in the second or subsequent instance.

Explanation of Provision

The bill would require conciliation before sanctions are imposed. It would sanction mandatory participants by reducing Title IV-A benefits for failure without good cause to participate in NETWork, as follows. In a single parent family, the needs of the individual who fails to participate would not be taken into account in determining the AFDC/FSP grant. This is the same as current law. In a two-parent family in which both parents have been required to participate, the needs of the individual who fails to participate would not be taken into account in determining the AFDC/FSP grant. In a two-parent family in which only one parent is required to participate, the needs of both parents would not be taken into account in determining the AFDC/FSP grant.

In the first instance of failure to cooperate without good cause, the bill would continue sanctions until the failure to comply ceases. In the second instance, the sanction would continue for a minimum of 3 months. In either case, after 3 months, the State would be required to remind the individual of his or her option to end the sanction. Also, the bill stipulates that volunteers who drop out of the program thereafter are to be given no priority for service, dependent children who drop out of NETWork would be treated the same as volunteers.

The sanction cannot be imposed until efforts toward conciliation have been made and the participant has been given prior notice and the opportunity for a hearing to contest the sanction. The conciliation process could work as follows:

Upon finding that a mandatory registrant is not participating, a notice of that finding would be mailed to the individual. That notice would inform the recipient of the penalties for failure to participate without good cause and request that the recipient contact the assigned case manager so that a determination can be made of whether there was good cause for nonparticipation.

When the mandatory participant or an authorized representative contacts the case manager to discuss the issue of nonparticipation, the case manager would explore with the registrant or authorized representative the reasons for nonparticipation and determine if the reason(s) are acceptable under the agency's criteria for good cause. "Good cause" criteria for nonparticipation might include:

Illness or incapacity;

Court-required appearances;

Family crisis or sudden change of individual or family circumstances;

Breakdown in transportation arrangements with no readily accessible alternative means of transportation;

Inclement weather which prevented the recipient and other persons similarly situated from traveling to or participating in the prescribed activity;

Breakdown in child care arrangements;

Lack of other supportive services necessary for participation; and

Other substantial and compelling reasons under guidelines developed by the agency.

17. *Regulations* (Sec. 101(m) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the Secretary to publish proposed regulations implementing the program within 6 months after the date of enactment and final regulations within 9 months after the date of enactment. The Secretary would be required to consult with the States in developing regulations.

18. *Performance Standards* (Sec. 101(n) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the Secretary of Health and Human Services to issue performance standards within one year after the date of enactment. The Secretary would be required to consult with the Congress, the Secretary of Labor, States, localities, educators and other interested persons.

At a minimum, such standards would: (a) provide methods for measuring the degree to which States serve those in the target population who will have the most difficulty finding employment; (b) provide methods for determining whether States deliver intensive services, tailored to the individual; (c) provide methods for measuring the degree to which States place emphasis on volunteers; (d) measure the cost effectiveness of the employment portion of the program and the welfare savings that result; (e) establish expectations for placement rates, including the minimum rate at which participants within each priority group are to be placed in jobs, complete school or both; (f) give appropriate recognition to the likelihood that unemployment and other economic factors will influence the success of the program; (g) take into account the extent to which the program results in job retention, case closures, educational improvements, and the degree to which recipients are placed in jobs with employer-sponsored health benefits; and (h) any other factors deemed to be important.

The Committee expects that the performance measurement system will, in conjunction with any evaluation studies, monitor employed families who have become ineligible for AFDC/FSP benefits. Such monitoring may be done on a sampling basis but shall be of sufficient duration, well in excess of 30 days, to reasonably determine the long-term success of the program.

The performance standards would be periodically reviewed by the Secretary and modified as necessary. The Secretary would also be required to develop and transmit to Congress a proposal for modifying the rate of Federal payments to States to reflect the relative effectiveness of States in carrying out the program.

19. *Evaluation, Research and Technical Assistance* (Sec. 101(0) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require the Secretary of Health and Human Services to provide for continuing evaluation of the activities established under NETWork. The Committee intends that such evaluations include the use of control groups, random assignment and such other techniques as are useful in determining the success of the program in helping families avoid long-term welfare dependence.

In addition, research would be required to examine: the effectiveness of giving priority to volunteers; appropriate strategies for assisting two-parent families; the wage rates of individuals placed in jobs; the approaches that are most effective in meeting the needs of specific groups, and types of participants; and the effect of targeting on families that include children below age 6. The Secretary would be required to provide technical assistance to States, localities, schools, and employers who participate in the program and who request or require it.

20. *Reporting Requirements* (Sec. 101(p) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require the Secretary to establish uniform reporting requirements, which at a minimum include: average monthly number of families assisted, types of families, amounts expended per family, and length of participation. This information would be required to be provided for each of the services under NETWork.

21. *Federal Financial Participation* (Sec. 102(a) of the bill and Sec. 403(a) of the Social Security Act).

Present Law

States received, under current law, a 50 percent Federal match for AFDC administration, including the costs of job search, CWEP and work supplementation as part of the Title IV-A entitlement. States also receive funding under Title IV-C of the Act, the WIN program. WIN funds are limited to 90 percent of a capped amount.

Explanation of Provision

The bill would provide a 65 precent Federal match for NETWork education and training costs as part of the Title IV-A entitlement. The State match would be 35 percent. The basic Federal AFDC administrative match would remain at 50 percent. NETWork administrative costs also would be reimbursed with 50 percent Federal funds. The costs of case management would be considered administrative costs.

22. *100 Hour Rule Demonstration Projects* (Sec. 102(b) of the bill and Secs. 1115 and 407 of the Social Security Act).

Present Law

Current regulations define "unemployment" as working less than 100 hours per month under the AFDC-UP program. Two-parent families in which the principal earner works more than 100 hours per month are ineligible for AFDC regardless of the level of earnings.

Explanation of Provisions

The bill would authorize 5 State and local demonstation projects to test the elimination of the 100 hour rule for recipients of AFDC-UP.

23. *Early Childhood Development Demonstrations* (Sec. 102(b) of the bill and Sec. 1115 of the Social Security Act).

Present Law

No provisions.

Explanation of Provision

The bill would authorize 10 demonstration projects to test the effect of in-home early childhood development programs, including academic credit for student volunteers, and pre-school center-based development programs. The projects would be designed to enhance the cognitive skills and linguistic ability of children under the age of 5 in programs emphasizing the use of volunteers. A special emphasis would be placed on inproving communications skills and developing the ability to read, write and speak the English language effectively. The demonstrations would extend for up to 3 years with an evaluation submitted to the Congress by HHS after year 1 and before the end of year 3. There would be authorized to be appropriaed such sums as are necessary.

24. *General Demonstration Authority* (Sec 102(b) of the bill and Sec. 1115 of the Social Security Act).

Present Law

Under Section 1115 of the Social Security Act, States are permitted to operate demonstrations likely to assist in promoting the objectives of Title IV-A.

66

Explanation of Provisions

The bill would authorize general work education and training demonstration projects under Section 1115 of the Social Security Act. It woud also permit State demonstration projects, targeted to Title IV–A children, that would be designed to test financial incentives and inter-disciplinary approaches to reducing school dropouts, encouraging skill development and avoiding welfare dependence. Demonstrations would be required to be conducted for at least one year but no more than 5 years.

25. *Effective Date* (Sec. 104 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require States to implement the NETWork program by October 1, 1989. With the approval of the Secretary, States may elect to participate in the program at any time after the proposed regulations have been published. The provisions requiring the Department of Health and Human Services to publish regulations, develop performance standards, conduct evaluations and establishment uniform reporting requirements are effective on enactment.

B. TITLE II.—DAY CARE, TRANSPORTATION AND OTHER WORK-RELATED EXPENSES

1. *Payment of Day Care Expenses* (Sec. 201(a)(1) of the bill and Sec. 402(a)(8) of the Social Security Act).

Present Law

States are required to disregard certain earned income when determining the amount of benefits to which a recipient family is entitled. For child care, States must disregard actual expenses up to $160 per month per child. Child care expenses are disregarded at application and when calculating benefits. The disregard is available only to working families. The Federal share of these expenditures for a State is equal to its Title IV–A benefit match.

Explanation of Provision

The bill would require States to pay the day care expenses, under Title IV–A, of eligible individuals who have a need for such services and who are working, in school or training, or participating in NETWork. The State would be required to provide day care either through contracts, certificates, or disregards. In the case of disregards, child care expenses could not exceed the dollar limit in the bill and would otherwise be treated as under current law, but would be deducted last.

The bill would limit reimbursement to $175 per month per child age 2 and over and $200 per month per child under age 2. The Federal share of these expenses for a State would be equal to its Title IV–A benefit match. States could reimburse more than these limits using State funds, but there would be no Federal match.

The bill would require day care services to meet applicable standards of State and local law and would also require child care services involving more than 2 children to meet standards set by the State that ensure basic health and safety protections.

Effective Date

The effective date would be October 1, 1987, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

2. *Reimbursement of NETWork Transportation and Other Work-Related Expenses* (Sec. 201(a)(2) of the bill).

Present Law

No current Title IV-A requirement.

Explanation of Provision

The bill would require Title IV-A agencies to reimburse NETWork participants up to $100 per month (adjusted for inflation) for transportation and other work-related expenses. If the participant must travel 100 miles or more to the NETWork assignment, reimbursement could be as much as $200 per month. The Federal share of these expenditures for a State is equal to its Title IV-A benefit match.

Effective Date

This provision would be effective on the date a State implements its NETWork program. The bill requires States to implement the NETWork program by October 1, 1989. With the approval of the Secretary, however, States may elect to participate in the program at any time after the proposed regulations have been published.

3. *Limitations on Treatment of Day Care Expenses* (Sec. 201(a)(4) of the bill).

Present Law

No provision.

Explanation of Provision

The bill stipulates that the value of any day care provided or reimbursed shall not be treated as income for any Federal needs-based program and may not be claimed as an employment-related expense for purposes of the dependent care credit.

Effective Date

The effective date would be October 1, 1987, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the

State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

4. *Day Care Transition* (Sec. 201(b) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would provide for the extension of day care assistance for 6 months to Title IV–A families who become ineligible and have earnings. Assistance would be limited to actual expenses up to $200 per child per month for children under 2 and $175 per month for children 2 and older.

States would be required to establish a sliding scale formula for calculating the individual's contribution to the day care expense.

Effective Date

The effective date would be October 1, 1987, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

5. *Evaluation of Child Care Resources* (Sec. 202 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require States to assess the availability and reliability of child care services regularly and to develop new child care resources as needed. Coordination with other child care resources in the state would be required.

Effective Date

The effective date would be October 1, 1987, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

6. *Demonstration Projects* (Sec. 201(c) of the bill and Sec. 1115(b) of the Social Security Act).

Present Law

Regulations limit the equity value of a vehicle that States can exclude from the counted resource limit to at most $1,500. States may set a lower limit.

Explanation of Provision

A five-State, five-year test of applying the Food Stamp program automobile value limits would be authorized. At least one rural and one urban State must be selected. If the State of North Dakota chooses to apply for the demonstration, it would be one of the rural State participants.

In addition, 5 State demonstrations to encourage States to employ AFDC/FSP mothers as paid day care providers would be authorized. The demonstrations would be designed to test whether such a training program can make additional day car services available while also creating employment opportunities for AFDC/FSP families.

Effective Date

The provision would be effective October 1, 1987.

C. TITLE III.—REAL WORK INCENTIVES

1. *Earned Income Tax Credit* (Sec. 301(a) of the bill and Sec. 402(a)(8) of the Social Security Act).

Present Law

For AFDC purposes, the earned income tax credit (EITC) is treated as earned income only when it is actually received, either as an advance payment or as a refund after the tax year has ended.

Explanation of Provision

The bill would require States to disregard any advance payments or refund of the EITC when calculating AFDC eligibility or benefits.

2. *Changes in Earned Income Disregards* (Sec. 301(a) of the bill and Sec. 402(a)(8) of the Social Security Act).

Present Law

At application, a State is required to disregard the following: (a) the first $75 of earned income to cover work expenses; (b) actual expenses up to $160 per month per child for day care; and (c) the first $50 of any monthly child support payments.

The State may also disregard the dependent child's JTPA earnings for 6 months and student earnings if these are also disregarded for purposes of the gross income limit.

To calculate benefits of individuals determined to be eligible at application, the State must disregard the following: (a) all of the earned income of a dependent child who is a student and not working full-time; (b) the first $75 of earned income to cover work expenses; (c) actual expenses up to $160 per month per child for day care; (d) $30 of earned income for 12 months; (3)⅓ of the remaining earned income for 4 months; and (f) the first $50 of any monthly child support payments.

The State may also disregard the dependent child's JTPA earnings for 6 months and student earnings if those earnings are also disregarded for purposes of the gross income limit.

Explanation of Provision

The bill would require States to disregard, at application the following: (a) the first $100 of earned income to cover work expenses; (b) in States choosing the disregard approach, actual day care expenses up to $175 per month per child age 2 or more, $200 per month per child under age 2; and (c) the first $50 of any monthly child support payments. The State also would be allowed to disregard JTPA earnings for 6 months.

To calculate benefits, the State would be required to disregard the following items in the following order: (a) all of the earned income of a dependent child who is a student and not working full time; (b) the first $100 of an individual's earned income; (c) 25 percent of an individual's remaining earnings; (d) the first $50 of any monthly child support payments; and (e) in States choosing the disregard approach, actual day care expenses up $200 per child per month for children under 2 and $175 per child per month for children 2 and over.

3. *Optional State Disregard Increases* (Sec. 301(b)(1) of the bill and Sec. 402(a)(8) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would permit the State to increase the disregards so long as the family's gross income is under 185 percent of the State standard of need.

4. *Adjustment of Standard Deduction* (Sec. 301(b)(2) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require that the $100 standard deduction be adjusted annually for changes in the cost of living.

5. *Effective Date.*

Present Law

No provision.

Explanation of Provision (Sec. 302 of the bill)

The effective date for the provisions of this Title would be on October 1, 1988, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

D. TITLE IV.—TRANSITIONAL HEALTH CARE

1. *Medicaid Transition* (Sec. 401 of the bill and Sec. 402(a)(37) of the Social Security Act).

Present Law

Title IV–A recipients are automatically eligible for Medicaid. In addition, Medicaid coverage has been extended to certain families who lose Title IV–A eligibility. This health coverage is available under three circumstances: (a) families who become ineligible for Title IV–A benefits due to an increase in earnings are eligible for 4 months of Medicaid; (b) families who become ineligible for Title IV–A benefits due to the termination of the ⅓ of remaining earnings disregard after 4 months, receive 9 months of Medicaid with State option for an additional 6 months; and (c) families who become ineligible for Title IV–A benefits due to increased collection of child support are eligible for 4 months of Medicaid. In the case of families with private health insurance, Medicaid pays for only those health services not covered by the private insurance.

Explanation of Provision

The bill would require families who become ineligible for Title IV–A benefits and have earnings to be deemed to be Title IV–A recipients for the purpose of Title XIX (Medicaid) eligibility. Medicaid would be extended for 6 months. The bill prohibits the Medicaid extension for families that cease to include a dependent child and those who have been sanctioned.

Effective Date

This Title would be effective on and after October 1, 1988, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

E. TITLE V.—CHILD SUPPORT ENFORCEMENT AMENDMENTS

1. *State Guidelines for Child Support Award Amounts* (Sec. 501 of the bill and Sec. 467(a) and 467(b) of the Social Security Act).

Present Law

P.L. 98–378 requires that each State develop guidelines for child support award amounts within the State. The guidelines must be made available to all judges and other officials who have the power to determine child support awards within the State, but need not be binding on them.

Explanation of Provision

The bill would require the guidelines to be a rebuttable presumption for determining and updating awards under all child support orders issued or modified in a State. The guidelines would be required to be reviewed fully every 3 years to reflect cost-of living changes. Child support orders would be required to be reviewed periodically and updated at least every two years.

The bill provides that when the guidelines are first applied to determine support, they constitute a presumption about the appropriate level of support. This presumption is rebuttable: the decisionmaker can make a different support award if he or she makes a written finding that application of the guidelines would be unjust or inappropriate in a particular case. The presumption is also rebuttable when awards are updated.

The bill also requires that orders be updated to reflect changes in the absent parent's financial situation and in other circumstances. In order to effectively make such a determination, the State must require that both parties make available relevant financial information.

Either parent would be permitted to contest the amount of an updated award; a time-limited period would be provided for a decision by a State official on a request for review. This review would include the opportunity for a hearing if either party requests one. A hearing provides both sides with the opportunity to subpoena and present documents, be assured that all testimony is under oath, and to cross-examine the opposing party—important protections in factual disputes about the parties' financial situation.

2. *Establishment of Paternity* (Sec. 502 of the bill and Sec. 466(a)(5) of the Social Security Act).

Present Law

All applicants for and recipients of Title IV-A benefits are required to cooperate with the State in establishing the paternity of any child born out of wedlock. In addition, P.L. 98-378 mandates that each State have in effect laws requiring the use of procedures that permit the establishment of the paternity of any child at any time prior to such child's 18th birthday. Laboratory costs incurred in determining paternity in a fiscal year may, at the option of the State, be excluded from the incentive grant calculation.

Explanation of Provision

The bill reiterates that current law requires States to establish the paternity of Title IV-A children within the State. States would be encouraged to establish simple civil procedures for voluntarily acknowledging paternity and a civil procedure for contested paternities. Use of a 95 percent probability index from blood tests as a rebuttable presumption of paternity would be required.

The bill would clarify that the authority to establish paternity until the child is 18, included in the 1984 amendments, applies to every child under the age of 18 on the date of enactment of the 1984 amendments, including those for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.

Also, States would be permitted, in calculating cost effectiveness ratios, to impute $100 per month for 12 months in all cases in which they have established paternity. Further, performance standards for paternity establishment would be set. In FY 89 the number of paternity establishments must be 50 percent higher than in FY 86. In each of the subsequent 4 years, paternity establishments would be required to increase by 15 percent.

The Committee wishes to emphasize the importance of paternity establishment and intends for these provisions to encourage paternity establishments even in cases where child support cannot be immediately collected.

3. *Visitation Demonstrations* (Sec. 503 of the bill).

Present Law

No provisions.

Explanation of Provision

The bill would authorize demonstration grants, totaling no more than $5 million per year, to determine the magnitude of absent parent visitation problems and to test possible solutions. Demonstrations may address custody issues, but could not allow child support to be withheld pending visitation.

4. *Child Supprt Disregard Clarification* (Sec. 504 of the bill and Sec. 402(a)(8)(A) of the Social Security Act).

Present Law

States are required to pay to the AFDC/FSP family the first $50 of such amounts as are collected periodically which represent monthly support payments without affecting Title IV-A eligibility and benefits.

Explanation of Provision

The bill would clarify that the family is to receive the disregard whenever the absent parent makes a timely payment and without regard to the time it takes State agencies to process the payment.

5. *Time Frames for State CSE Responses* (Secs. 505 and 512 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the establishment of standards for the period of time within which a State must respond to requests for assistance in locating absent parents or establishing paternity and begin proceedings to establish or enforce support awards.

Also, the Department would be required to collect from the States data on the number of requests for the various child support enforcement services.

The following additional statistics would be reported, by State, to Congress as part of the annual report; (1) the number of IV-D cases, with AFDC and non-AFDC cases listed separately, that have requested or require the identified service; (2) the number of IV-D cases, again displayed separately for AFDC and non-AFDC, that received the service; and (3) the number of cases needing the service as a percentage of those that actually received it. The identified services are: paternity establishment; location of an absent parent for purposes of establishing a support order; establishment of a child support order; and location of an absent parent for purposes of enforcing a support order.

6. *Mandatory Automated Tracking and Monitoring* (Sec. 506 of the bill and Sec. 454 of the Social Security Act).

Present Law

States are permitted to develop and implement automated data processing systems which control, account for, and monitor all of the factors in the support enforcement collection and paternity determination process. The Federal share of the planning and development costs is 90 percent.

Explanation of Provision

The bill would require States to develop and to implement automated tracking and monitoring systems according to a time schedule. All States would be required to have an operational automated system by October 1, 1992. Special Federal matching of 90 percent would expire on October 1, 1992.

7. *Treatment of Interstate Funds* (Sec. 507 of the bill and Sec. 458(d) of the Social Security Act).

Present Law

States receiving interstate child support enforcement demonstration funds must include these funds as part of the State's total IV-D administrative costs, and thereby in the calculation of the State incentive payments.

Explanation of Proposal

The bill would exclude the costs of interstate enforcement demonstrations in computing a State's incentive payments.

8. *Child Support Administrative Match and Presumptive Wage Withholding* (Sec. 508 of the bill and Sec. 455(a)(2) of the Social Security Act).

Present Law

For FY 87, the Federal matching rate is 70 percent. It is scheduled to decline to 66 percent by FY 1990. In addition, States found not to be in compliance with the act are subject to a loss of AFDC administrative funds. As part of the Child Support Enforcement program, States are required to enact State laws that institute wage withholding after a 30-day arrearage has occurred.

Explanation of Provision

The bill would lower the Federal matching rate to 66 percent for States not in compliance with the 1984 amendments within 6 months after the date of enactment. This penalty is in addition to current law penalties. A permanent match of 70 percent would be provided to States that are in compliance with the 1984 amendments and implement a presumptive wage withholding law. Under such a law, wage withholding is immediate and does not await the accrual of a 30 day arrearage. However, State laws must permit exceptions if: (1) one parent demonstrates, and the judge finds good cause not to apply wage withholding; or (2) a written agreement is reached between both parties that provides for an alternative arrangement.

9. *Commission of Interstate Enforcement* (Sec. 509 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would establish a commission to study interstate child support establishment and enforcement, and to develop a new model interstate law. The commission would be required to report not later than one year after the date of enactment.

The Committee expects the commission to carefully consider all possible remedies to the problems of interstate child support establishment and enforcement including the appropriateness, usefulnes and feasibility of by law: (1) establishing a Federal child support establishment and enforcement system that removes this function from the State level; and (2) establishing the Federal right of every unemancipated child to be supported by such child's parent or parents and conferring on certain local courts of the District of Columbia and every State jurisdiction to enforce the right to support regardless of such child's residence.

10. *Study of Child Raising Costs* (Sec. 510 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would direct the Secretary to conduct a study of the patterns of expenditures on children in two-parent families, in single-parent families following divorce, and in single-parent families in which the parents were never married. Particular attention must be given to the relative standards of living in households in which both parents and all of the children do not live together.

11. *Demonstration Projects to Test Voluntary Work, Education, and Training for Fathers Who Are Unable to Pay Child Support* (Sec. 511 of the bill and Sec. 1115(b) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would permit State to test methods of improving child support enforcement in cases where the noncustodial parent is unable to meet the support obligation. Under the demonstrations, such parents would be encouraged to participate in work, education and training activities available in the State.

12. *Access to DOL-Funded Quaterly Cross Match System* (Sec. 513 of the bill).

Present Law

No provision.

Explanation of Provision

The Federal Parent Locator Service (FPLS) and the State child support agencies would be given access to the quarterly cross match system funded by the Department of Labor and accessed through an electronic mail system called INTERNET. The system contains information on place of employment, social security number, and addresses of employees that is currently used in the unemployment compensation program. The costs of the computer match would be paid by the requesting agency. In the case of State child support agencies, such costs would be Federally remibursable CSE expenses.

13. *Effective Date* (Sec. 514 of the bill).

Present Law

No provision.

Explanation of Provision

Except as otherwise noted, the amendments in Title V are effective on the first day of the first calendar quarter that begins one year or more after the date of enactment.

F. TITLE VI.—PRO-FAMILY WELFARE POLICIES

1. *Mandatory AFDC-UP* (Sec. 601 of the bill and Secs. 402(a) and 407 of the Social Security Act).

Present Law

States may, at their option, provide Title IV-A benefits to financially-eligible two-parent families in which the principal earner is "unemployed", defined in regulations as working fewer than 100 hours per month. For eligibility, the law requires that the unemployed parent have worked six or more quarters in any 13 calendar quarter period ending within 1 year before applying for AFDC-UP.

Explanation of Provision

The bill would mandate Title IV-A benefits to financially-eligible two-parent families in which the principal earner is "unemployed", defined as working fewer than 100 hours per month.

States would be permitted to substitute for 4 of the 6 quarters of work, quarters of full-time attendance in elementary or secondary school, full-time participation in vocational training, or participation in a JTPA education or training program, but the bill would set a lifetime limit of 4 quarters creditable to vocational training. The bill would require a study by the General Accounting Office of the policies and regulations regarding administration of the AFDC-UP program within 6 months after the date of enactment.

Effective Date

The effective date would be January 1, 1990, except for the GAO study.

2. *Case Management Services for Minor Parent Families* (Sec. 602 of the bill and Sec. 402(a) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would require that case management services be provided to Title IV-A families in which at least one parent is a minor. Federal reimbursement for these services would equal 50 percent.

Effective Date

The effective date would be October 1, 1987.

3. *Minor Parent Family Living Arrangements and Grandparent Deeming* (Sec. 602(b) of the bill and Sec. 402(a) of the Social Security Act).

Present Law

Minor parents with dependent children eligible under Title IV-A may live at home with their parents (the grandparents of the dependent child) or may elect to leave home and establish a separate Title IV-A unit for themselves and the child. If the minor parent and child choose to live with the grandparent of the dependent child, a portion of the income of the grandparent(s) is considered in determining Title IV-A eligibility and benefits.

Explanation of Provision

The bill would require unmarried minor (under age 18) parent families to live with a parent, legal guardian or other adult relative or in a foster home, maternity home or other supportive living arrangement in order to qualify for Title IV-A benefits unless the State determines it is impossible or inappropriate to do so. The State agency would be permitted to waive this requirement if: (a) the minor has no living parent or legal guardian whose whereabouts are known; (b) the health or safety of the minor parent or the child would be jeopardized or the living conditions are overcrowded; (c) the parent or guardian refuses to allow the minor parent and child to live in his or her home; or (d) the minor parent has lived apart from the parent or guardian for at least a year before the birth of the child or prior to making application for title IV-A benefits.

The Committee intends that State IV-A agencies implement this provision flexibly and that the State agency demonstrate beyond a reasonable doubt that a minor parent may safely and appropriately live at home. The responsibility for proving this should not be left to the minor parent although the minor parent's full cooperation in this regard may certainly be required. The Committee is concerned that while it is generally in the minor parent's best interest to live in a supportive home with adult supervision, it is also important to protect against any unintended adverse consequences that may result.

In determining the minor parent family's eligibility, if the parent of the minor parent is also eligible for Title IV-A benefits, the minor parent and her child(ren) would constitute a separate unit.

The requirement that part of the income of the parent of a minor parent be attributed to the dependent child in a minor parent family would be repealed.

Effective Date

The effective date would be October 1, 1987.

4. *Optional State Requirements for Minor Parents* (Sec. 602(a) of the bill and Sec. 417(c) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would permit the State to require school attendance or participation in training in parenting and family living skills, including nutrition and health education, as a condition of Title IV-A eligibility if appropriate day care is guaranteed.

Effective Date

The effective date would be October 1, 1987.

G. TITLE VII.—BENEFIT IMPROVEMENTS

1. *Annual Evaluation of Need and Payment Standards* (Sec. 701 of the bill and Sec. 402(a) of the Social Security Act).

Present Law

By July 1, 1969, States were required to make a one-time adjustment in their Title IV-A need and payment standards to reflect fully changes in living costs. No further adjustments have been required.

Explanation of Provision

The bill would require an annual evaluation of the Title IV-A need and payment standards, with particular attention to determining whether the amount assumed for shelter is adequate.

Effective Date

The effective date would be October 1, 1987.

2. *Enhanced Federal Match for Benefit Improvements* (Sec. 702 of the bill and Sec. 403 of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would increase by 25 percent the Federal share of benefit payments that represent an increase over the September 30, 1988 level of payments. This provision is intended to encourage States to increase benefits. The Committee expects that the Secretary, in prescribing regulations for this provision, will endeavor to implement the provision efficiently and effectively and without unnecessary administrative burdens. Its implementation is purely an administrative function, separate and unrelated to the determination of eligibility and the calculation of benefits. In fact, the only impact on recipients and caseworkers should be the final result: increased benefits.

The provision would work as follows: The normal Federal matching rate would apply to the level of benefits as of September 30, 1988. For any increases above this level, the Federal government would pay a matching rate that is 25 percent higher than that for 1988. Enhanced matching rates would be calculated for a State for each family size. Each family size matching rate would be weighted by the proportion of all AFDC families in the State of that size. Such weighted matching rates for each family size would be summed to obtain a total enhanced matching rate for the State.

Consider an example of a State with a benefit level of $300 per month for a family of 3 and a 50 percent Federal matching rate. Suppose this State increases its benefits by 3 percent. The new benefit for a family of 3 would be $309 per month. The State's enhanced matching rate for a family of three would be calculated as follows:

Current benefit level times current matching rate	$300.00 × .50 =	$150.00
Plus enhanced matching rate for 3 percent increase	9 × .625 =	5.63
Total		$155.63
Divide by new benefit level	$155.63/309 =	.5037

The new enhanced Federal matching rate for a family of 3 is .5037. The same calculation would be made for other family sizes and the weighted sum would yield the new enhanced Federal matching rate for the State.

The following table illustrates how the enhanced match is calculated.

EXAMPLE OF THE CALCULATION OF THE ENHANCED FEDERAL MATCHING RATE FOR A STATE

[Assumes a 3-percent benefit increase]

Family size	Current monthly benefit	Current Federal match rate	Benefit increase	Enhanced Federal match rate	New benefit	Assumed proportion of families in each family size	Federal share of cost
2	$250	0.50	$8	0.625	$258	0.20	0.1008
3	300	.50	9	.625	309	.40	.2015
4	350	.50	11	.625	361	.20	.1008
5	400	.50	12	.625	412	.10	.0504
6	450	.50	14	.625	464	.10	.0504
New enhanced Federal matching rate for State							.5039

The enhanced match is calculated using the benefit payment for families with no other income. This simplifies the calculation and targets the enhanced match to actual changes in payments. The enhanced match is not to be calculated on the basis of total payments relative to a base period. Changes in total payments are a function of population growth, unemployment, per capita income, changes in the payment standard, and many other factors. A change in total payments does not necessarily indicate an increase in benefits.

The Committee recognizes that States use a variety of formulas to calculate payments to families with no other income. The enhanced match would apply to actual increases in payments to families. So, for example, it would not apply to an increase in the need standard that does not result in actual payment increases. Similarly, in those States paying shelter costs to a maximum, the enhanced match would apply only to increases in the non-shelter portion of the payment standard since an increase in the shelter portion does not always result in a benefit increase.

Some States establish different need and payment standards for regions within the State. The implementing regulations should take this into account. If a State increases payments by different amounts in the different regions, an average—weighted by the number of families in each jurisdiction—will achieve the desired result mathematically.

Finally, the Committee intends that the additional payments to States that result from the enhanced match provision be made at the same time and on the same basis as the regular Federal share of payments is paid to the States. The family size weighting factor would be calculated annually. In addition, if a State increases benefits on the first day of a quarter, the enhanced match would be paid from that date; any increases which take effect during a quarter, would receive the enhanced match on the first day of the following quarter.

In addition to the enhanced match provision, States would be prohibited from lowering AFDC benefits below the nominal level in effect on June 10, 1987. This will ensure that States do not gain financially by lowering benefit levels and later taking advantage of the enhanced match provisions. Benefit increases which result from any law enacted on or before June 10, 1987 which take effect on or before September 30, 1988 could not be lowered. The enhanced match would apply, however, to any increases which take effect after September 30, 1988, regardless of when the increase was or is legislated.

A study and report of the implementation and effect of the enhanced match would be required three and five years after the date of enactment. The study would be conducted by the Department of Health and Human Services.

Effective Date

The effective date would be October 1, 1988.

3. *Study of Minimum Benefit Proposals* (Sec. 703 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require a study by the National Academy of Sciences of alternative minimum benefit proposals for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated.

The study would give consideration to alternative minimum benefit proposals, including those that would link benefit levels to a family living standard, national median income, State median income, and the poverty level. The study would also take into account the probable impact of a national minimum benefit on individuals and on State and local governments. A report would be due 24 months after the date of enactment.

Effective Date

The effective date would be October 1, 1987.

H. TITLE VIII.—MISCELLANEOUS PROVISIONS

1. *AFDC-Food Stamp Coordination* (Sec. 801 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would establish a commission to study and make recommendations on AFDC-Food Stamp coordination. A report would be required within one year after enactment with recommendations for legislative, administrative and other actions.

The Committee expects that the commission will make an exhaustive review of the existing AFDC and food stamp rules and that it will, at a minimum, review and make recommendations on the following areas: the definition and amount of allowable resources; treatment of lump sum benefits; treatment of student earnings; value of the exempt vehicle; treatment of strikers; treatment of child support; frequency of work registrations and exemptions; circumstances and procedures for recouping overpayments; monthly reporting and retrospective budgeting policies; time frames for fair hearings; verification requirements; requirements for recipient notice; application requirements; recertification and redetermination requirements; rules for reporting changes in circumstances; treatment of aliens; treatment of life insurance and burial plans; treatment of assets policies; treatment of student grants, scholarships and loans; treatment of training allowances; treatment of self-employment income; fraud control policies; and penalties for non-compliance.

Effective Date

The effective date would be October 1, 1987.

2. *Uniform Reporting Requirements* (Sec. 802 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the Secretary to establish uniform reporting requirements needed to ensure that sections 402(a)(37), 402(h) and 417 of the Social Security Act are being effectively implemented. These sections deal with the Medicaid transition, child care arrangements and dollar limits, increases in the earned income disregards, and special provisions for families headed by minor parents.

Effective Date

The provision would be effective on enactment.

3. *State Reports on Expenditure and Use of Social Service Funds* (Sec. 803 of the bill and Sec. 2006 of the Social Security Act).

Present Law

Each State is required to prepare reports on the activities carried out with funds available under Title XX of the Act. Reports are to be in such form, contain such information, and be of such frequency (but not less than every 2 years) as the State finds necessary to provide an accurate description of such activities, to secure a complete record of the purposes for which funds were spent, and to determine whether funds were expended in a manner that is consistent with the State plan.

Explanation of Provision

The bill would establish uniform reporting requirements for the social services block grant authorized under Title XX of the Act.

Effective Date

The provision is effective on the date of enactment.

4. *Evaluation of Employment, Training, and Work Programs* (Sec. 804 of the bill).

Present Law

The Secretary has general evaluation authority.

Explanation of Provision

The bill establishes an interagency panel to design, implement and monitor a series of implementation and evaluation studies to assess the methods and effects of the work, education and training programs established by the bill. The panel is required to report annually for five years.

Effective Date

The interagency panel would be established within 3 months after the date of enactment.

5. *Demonstration Projects on Housing the Homeless* (Sec. 805 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would authorize 3 State demonstration projects testing whether emergency assistance payments to homeless AFDC/FSP families would be reduced through construction and renovation of permanent housing. It would authorize $15 million for each of 5 fiscal years.

Federal funds spent on construction and renovation per unit would be limited to the cost of housing a family in a temporary shelter for one year. The State matching rate would be 10 percentage points above the current State AFDC matching rate. Over 10 years, the Federal cost of the grants for renovation and construction would be required to be less than the cost of temporary shelters over the same time period.

Effective Date

The effective date would be October 1, 1987.

6. *New York State Child Support Demonstration Project* (Sec. 806 of the bill).

Present Law

No provision.

Explanation of Provision

The bill permits the Secretary to approve a demonstration project in New York State for the purpose of testing its child support supplement program as an alternative to the existing AFDC/FSP program. The demonstration project would continue for 5 years.

Specifically, the Child Support Supplement Program (CSSP), would test alternative approaches to enhancing parental responsibility for child support and providing economic incentives to custodial parents to obtain child support orders and employment.

CSSP would be designed so that modest wages from a less than full-time job, combined with child support payments or CSSP benefits, will raise a custodial parent's income to a level equal to or greater than the comparable AFC/FSP benefit. CSSP would provide stronger work incentives than AFDC, because publicly provided benefits would be reduced or "taxed away" at a lower rate.

Eligibility for the program would be open to AFDC recipients with support orders and some other custodial parents, also with support orders, who will be defined by the State as part of the demonstrations. This will allow the State to test various combinations of benefit levels and benefit reduction rates to see how people actually respond to the program in terms of going to work or increasing their earnings. Federal reimbursement to the State, which would be in an amount at least equal to what the State would have received if the family were instead receiving AFDC, will be paid for AFDC recipients who opt into the demonstration program and for CSSP participants who would otherwise be eligible for AFDC/FSP benefits.

Effective Date

The provision would be effective on enactment.

7. *Demonstration of Family Independence Program in State of Washington* (Sec. 807 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would authorize a demonstration of the Family Independence Program (FIP) in the State of Washington for a period not to exceed 5 years.

The FIP would maintain the entitlement nature of the AFDC program. Under FIP, no family would receive less than would be available under current AFDC rules. FIP would apply to new applicants; current AFDC recipients could switch to FIP. The initial eligibility criteria would be similar to AFDC. FIP participants could enroll in: (a) a high school or a GED program; (b) a community or 4-year college; (c) classroom or on-the-job training; or (d) part- or full-time employment. Current due process protections would be maintained.

The "benchmark standard" for benefits under FIP would be equal to the current AFDC benefit plus the cash equivalent value of food stamps. The current level in Washington is approximately 85 percent of the poverty level. FIP enrollees in education and training would receive cash assistance equal to 105 percent of the benchmark standard. Those working part-time would receive at least 115 percent of the benchmark standard. Those working full-time would receive at least 135 percent of the benchmark standard. Also, FIP would provide full child care and medical assistance for enrollees and would pay 75 percent of these costs for one year after family income exceeded 135 percent of the benchmark standard.

Effective Date

The effective date would be October 1, 1987.

8. *Include American Samoa in AFDC/FSP Program* (Sec. 810 of the bill and Sec. 1101(a)(1) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would add America Samoa to the AFDC/FSP program, subject to the approval of a State plan by the Secretary and under the same terms and conditions as other territories.

Effective Date

The effective date would be October 1, 1987.

9. *Sanction for Failure to Complete Treatment for Drug or Alcohol Abuse.* (Section 809 of the bill).

Present Law

No provision.

Explanation of Provision

Upon notice from a treatment program, Title IV-A benefits for any AFDC/FSP recipient who has been medically determined to be a drug addict or alcoholic and who refuses to participate in and complete a drug or alcohol abuse treatment program would be terminated.

Effective Date

October 1, 1987

10. *Study of Housing Problems* (Section 808 of the bill).

Present Law

No provision.

Explanation of Provision

An interagency working group staffed by the Department of Health and Human Services and the Department of Housing and Urban Development would report to Congress the results of a study of housing problems experienced by AFDC recipients, particularly transient families. Data on the number of evictions, the available housing stock and successful innovative programs would be included. The study would be due within six months after the date of enactment and would include recommendations for action.

Effective Date

On enactment.

11. *Increased Funds for the Territories* (Section 811 of the bill; section 1108 of the Social Security Act).

Present Law

Under current law, welfare funds for the territories are limited to the following annual amounts: Commonwealth of Puerto Rico: $72 million; Virgin Islands: $2.4 million; Guam: $3.3 million. These funds are used to provide aid to families with dependent children and to the aged, blind and disabled. The Federal government pays 75 percent of these costs up to the maximum specified above. The ceilings were last increased in 1979.

Explantion of Provision

Under the bill, the ceiling on funds to the Commonwealth of Puerto Rico, Guam and the Virgin Islands would be increased and distributed as follows: Commonwealth of Puerto rico, $9.27 million; Guam, $425,000; and Virgin Islands $309,000. In addition, a study would be conducted to identify ways to correct the obvious imbalances that exist among the territories, and between the territories and the States.

Effective Date

The provision is effective on October 1, 1987.

III. BUDGET EFFECTS OF THE BILL

A. Committee Estimate

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives, the following statement is made: the Committee agrees with the estimate prepared by the Congressional Budget Office (CB) which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(l)(3)(B) of Rule XI of the Rules of the House of Representatives, the Committee states that the letter from the Congressional Budget Office indicates that there is a change in budget authority and that there are no new or increased tax expenditures as a result of the bill.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(C) of Rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
U.S. CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 17, 1987.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 1720, the Family Welfare Reform Act of 1987, as ordered reported by the House Committee on Ways and Means on June 10, 1987.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,

Sincerely,

JAMES BLUM
(For Edward M. Gramlich, Acting Director).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number; H.R. 1720 amended.
2. Bill title: Family Welfare Reform Act of 1987.
3. Bill status: As ordered reported by the House Committee on Ways and Means, June 10, 1987.
4. Bill purpose: To replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives.
5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
Direct spending:					
Budget authority	185	510	1,316	1,792	2,057
Estimated outlays	185	510	1,316	1,792	2,057

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
Amounts subject to appropriation action:					
Estimated authorization level	40	11	−108	−199	−282
Estimated outlays	7	10	−102	−193	−277
Total spending:					
Budget authority/estimated authorization level	225	521	1,208	1,593	1,775
Estimated outlays	192	520	1,214	1,599	1,780

Most of the spending in H.R. 1720 is direct spending for the entitlement programs Aid to Families With Dependent Children (AFDC) and Medicaid. Estimated authorization levels are shown for two types of spending: that in the Food Stamp program and that for demonstration projects, studies, and interagency panels or commissions.

While the bill would change the name of the AFDC program to the Family Support Program, this estimate continues to use the name AFDC. Spending in the Child Support Enforcement Program is shown under AFDC because they are in the same budget account.

Basis of Estimate

For purposes of the estimate, CBO has assumed enactment of the bill prior to the beginning of fiscal year 1988. The bill has eight titles, which are discussed in turn. Only major provisions in each title are discussed, but a detailed table shows federal outlays for each provision with cost implications (see pp. 3-9).

Title I—National Education, Training, and Work (Network) Program.—The bill would establish a new work program for AFDC recipients, to be operated by state welfare agencies. Non-exempt recipients would be required to participate in a work program as state resources permitted. Certain families with children aged three or older would be designated as priority groups—including those with teenage parents, parents who were teenagers when their first child was born, those who had been receiving AFDC for two years or more, and those with children under six years of age. States would be required to offer skills training, job search programs, various educational programs, and counseling. They could also offer on-the-job training, work supplementation, and Community Work Experience (workfare) Programs (CWEP). Prior to participation in a work program, assessments of recipient skills would be required as would written agreements between the state agencies and clients.

Additional funding for these work programs would result from an increase in the federal share of spending above current law. The bill would provide for a federal spending match of 50 percent of administrative expenditures associated with work programs, such as case management, and for a 65 percent match of other expenditures directly associated with the work programs. Under current law, the federal match is 50 percent and education and training expenditures are not matched at all in the IV-A (AFDC) program.

These match rates could be increased following the establishment of performance standards one year after enactment.

The program would be effective on October 1, 1989, but states, if they chose, could take part in the program after regulations were proposed. CBO has assumed that 10 percent of the caseload would be included in Network in 1988 and 40 percent in 1989, for an average two-thirds of each year.

ESTIMATED COST TO THE FEDERAL GOVERNMENT OF H.R. 1720 AS AMENDED

[Outlays, by fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
TITLE I					
Establish network (50/65 percent match):					
AFDC	15	100	290	295	300
Food stamps	(1)	−2	−10	−15	−25
Medicaid	(1)	−1	−5	−10	−20
Total	15	97	275	270	255
Alter sanctions for 2-parent families: AFDC	(1)	1	3	4	4
Authorize demonstrations on 100-hour rule: AFDC	3	15	20	25	30
Authorize demonstrations on education and training for children: AFDC	6	12	12	12	12
Authorize demonstrations on early childhood development: AFDC	(1)	3	3	3	
Subtotal title I:					
AFDC	24	131	328	339	346
Food stamps	(1)	−2	−10	−15	−25
Medicaid	(1)	−1	−5	−10	−20
Total	24	128	313	314	301
TITLE II					
Raise child care cap to $175/$200 and alter child care reimbursement:					
AFDC	8	8	11	11	11
Food stamps	−4	−4	−5	−5	−5
Total	4	4	6	6	6
Reimburse child care for 6 months after leave AFDC: AFDC	105	145	190	195	200
Authorize demonstrations on AFDC mothers as day care workers: AFDC	1	2	2	2	2
Authorize demonstrations on the asset test for cars: AFDC	(1)	5	15	15	15
Subtotal title II:					
AFDC	114	160	218	223	228
Food stamps	−4	−4	−5	−5	−5
Total	110	156	213	218	223
TITLE III					
Increase earnings disregards to $100 and 25 percent of earnings:					
AFDC		40	80	85	90
Food stamps		−15	−30	−30	−35
Medicaid		15	40	45	45
Total		40	90	100	100
Index the $100:					
AFDC		2	15	20	30
Food stamps		−1	−5	−10	−15
Total		1	10	10	15
Disregard EITC:					
AFDC		15	20	20	20

ESTIMATED COST TO THE FEDERAL GOVERNMENT OF H.R. 1720 AS AMENDED—Continued

[Outlays, by fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Food stamps		-8	-10	-10	-10
Total		7	10	10	10
Disregard JTPA income of minor parents: AFDC		1	2	2	2
Subtotal title III:					
AFDC		58	117	127	142
Food stamps		-24	-45	-50	-60
Medicaid		15	40	45	45
Total		49	112	122	127
TITLE IV					
Provide Medicaid for 6 months to persons with earnings after leave AFDC: Medicaid		50	110	115	130
Subtotal title IV:					
Medicaid		50	110	115	130
TITLE V					
Mandate child support guidelines:					
AFDC		-25	-65	-105	-138
Food stamps		-3	-10	-15	-20
Medicaid		-2	-5	-10	-17
Total		-30	-80	-130	-175
Mandate increases in paternity establishment: AFDC	3	12	-2	-2	-2
Impute support in paternity casess for purposes of computing incentive payments: AFDC		16	18	20	21
Alter $50 disregard for months due: AFDC		5	5	5	5
Establish standards for response time: AFDC		(1)	(1)	(1)	(1)
Mandate automated tracking and monitoring systems: AFDC	5	5	5	35	35
Repeal 90 percent match on ADP (effective Oct. 1, 1992): AFDC					
Alter incentive payments by excluding interstate demonstration costs: AFDC		1	1	1	1
Reduce match for States not in compliance with 1984 amendments and increase match for States requiring immediate wage withholding:					
AFDC	-6	-9	7	10	13
Food stamps	0	-1	-1	-2	-3
Medicaid	0	(1)	(1)	-2	-2
Total	-6	-10	6	6	8
Require data collection on CSE applicants: AFDC	(1)	(1)	(1)	(1)	(1)
Permit access to DOL INTERNET system: AFDC	(1)	(1)	(1)	(1)	(1)
Authorize demonstration projects on visitation: AFDC		5	5	5	5
Authorize demonstration projects on work programs for fathers who can't pay: AFDC		5	5	5	5
Study child-raising costs: AFDC	(1)	(1)			
Establish Commission on Interstate Commission on Interstate Enforcement: AFDC	(1)				
Subtotal title V:					
AFDC	2	15	-21	-26	-55
Food stamps		-4	-11	-17	-23
Medicaid		-2	-5	-12	-19
Total	2	9	-37	-55	-97
TITLE VI					
Mandate Unemployed Parent Program:					
AFDC			130	245	275

ESTIMATED COST TO THE FEDERAL GOVERNMENT OF H.R. 1720 AS AMENDED—Continued

[Outlays, by fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Food stamps			-45	-80	-95
Medicaid			140	275	300
Total			225	440	480
Provide special case managers for families with minor parents: AFDC	15	15	15	15	15
Require minor parents to live with parents and discontinue counting of grandparents' income:					
AFDC	25	25	25	25	25
Food stamps	-12	-12	-12	-12	-12
Medicaid	2	2	2	2	2
Total	15	15	15	15	15
Study AFDC-UP: GAO	(1)				
Subtotal title VI:					
AFDC	40	40	170	285	315
Food stamps	-12	-12	-57	-92	-107
Medicaid	2	2	142	277	302
Total	30	30	255	470	510
TITLE VII					
Require annual evaluations of need and payment standards: AFDC	1	1	1	1	1
Raise Federal match 25 percent on increases in benefit levels:					
AFDC		80	280	490	705
Food stamps		-15	-55	-100	-145
Total		65	225	390	560
Study alternative minimum benefit proposals (NAS): AFDC	1	1			
Study match rate increase (DHHS): AFDC	(1)	(1)	(1)	(1)	(1)
Subtotal title VII:					
AFDC	2	82	281	491	706
Food stamps		-15	-55	-100	-145
Medicaid					
Total	2	67	226	391	561
TITLE VII					
Include American Samoa in Family Support Program: AFDC	1	1	1	1	1
Increase AFDC caps for territories: AFDC	10	10	10	10	10
Appoint advisory group and require report on the coordination of AFDC and food stamp policies: AFDC	(1)				
Eliminate assistance for families who drop out of drug or alcohol treatment programs: AFDC	(1)	(1)	(1)	(1)	(1)
Require annual reporting in social services: Social services	0	0	0	0	0
Require uniform reporting: AFDC	1	1	1	1	1
Create interagency panel and authorize evaluations of employment and training programs: AFDC	4	4	4	4	4
Create interagency panel on low-income housing problems: AFDC	(1)	(1)	(1)	(1)	(1)
Authorize demonstrations on shelter for homeless: AFDC	8	15	6	8	9
Authorize Washington State demonstration: AFDC	(1)	(1)	(1)	(1)	(1)
Authorize New York State demonstration: AFDC	(1)	(1)	(1)	(1)	(1)
Subtotal title VIII: AFDC	24	31	22	24	25
Total:					
AFDC	206	517	1,115	1,463	1,707
Food stamps	-16	-61	-183	-279	-365
Medicaid	2	64	282	415	438
Total	192	520	1,214	1,599	1,780

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[1] Less than $500,000

Table 1 summarizes the effects of Network, as estimated by CBO. Federal costs would rise from $16 million in 1988 to $370 million in 1992 while savings would rise from $1 million to $115 million in 1988 to 1992, respectively. Net costs would rise to $275 million in 1990 and then fall gradually as savings continued to build up over time. Total costs would be virtually identical to federal costs because states would have insignificant increases in costs under this bill. States would share in welfare savings, however, so that total savings would be hgher than federal savings. Net total costs would rise to $255 million in 1990 and then fall fairly rapidly to $180 million in 1992.

TABLE 1.—ESTIMATED EFFECTS OF NETWORK

	1988	1989	1990	1991	1992
By fiscal year, in millions of dollars:					
Federal costs	16	105	310	350	370
Federal savings	−1	−8	−35	−80	115
Net Federal costs	15	97	275	270	255
State costs	(1)	(1)	5	5	5
State savings	(1)	−5	−25	−50	−80
Net State savings	(1)	−5	−20	−45	−75
Total costs	16	105	315	355	375
Total savings	−1	−13	−60	−130	−195
Net total costs	15	92	255	225	180
By fiscal year, in thousands:					
Number of additional participants in work program [2]	5	35	100	110	115
Number of families off of AFDC as a result of Network	(3)	2	5	15	25

[1] Less than $500,000.

[2] These are participants in work programs due to Network, and are additions to participants under current-law spending levels.

[3] Less than 500 families.

The additional spending on work programs under Network would permit 5000 AFDC recipients to be put through work programs in 1988 and around 100,000 a year to participate when the program was fully implemented (see Table 1). As a result of their participation in the work programs, an estimated 25,000 families would be off of AFDC by 1992.

These estimates are complex and uncertain in a number of respects. The basis of the estimates of costs is discussed first, followed by a description of the methodology used in estimating savings.

Estimated costs of Network follow from the increase in the federal match rate for spending on work programs. CBO has estimated what spending on work programs in IV-A will be under current law. Given this spending, the increased federal match rate would result in savings to state and local governments. The bill would require that states maintain spending on work programs. Given state spending, then, the increase in spending—both federal and total—would be determined by the new match rates. For example, if states were spending $50 million on work programs with a federal match of 50 percent, total spending would be $100 million. With a federal match of 61 percent, state spending would remain at $50 million but total spending would rise to $128 million and federal spending to $78 million. In its estimates, CBO used a 61 percent average match rate, which was based on an estimate that 25 percent of Network spending would be for administration—at a 50 percent match—and 75 percent would be for work program costs—at a 65 percent match. CBO's estimate of spending may be conservative in that it does not allow for a rise in state spending in response to the lower state match rates (given the maintenance of effort provision). On the other hand, states might be able to substitute the new federal funds for some of their projected spending increases in future years, which would reduce spending from CBO's estimate.

The estimated rise in total spending on work programs, after several adjustments, was then used to determine the number of new participants in work programs as a result of Network and any savings in welfare resulting from that participation. Total spending available for placing participants in work programs was reduced by spending on assessments of participants, written agreements between participants and state agencies, and special case managers. Based on data from California's work program, GAIN, CBO estimated that the cost of an assessment and agreement would be $250 per participant. Adding costs for special case managers and an orientation program resulted in an estimated cost of $285 per participant, or about $100 million a year in total spending ($50 million in federal spending) on these services when Network was fully implemented. Available spending was further reduced by fairly small amounts for child care for families with children under the age of six and for other work expenses. Child care for families with older children was included in the base cost of work programs discussed below.

To estimate the number of new participants in work programs, available spending was divided by an estimated cost per work program participant. The cost per participant was estimated to be $1855 in 1988 and $2260 in 1992, as shown in Table 2. This average cost was based on estimated costs of an education and training program and of other types of work programs, such as job search or CWEP. For purposes of the estimate, CBO assumed that 40 percent of participants would be in education and training programs and that 60 percent would be in other work programs. The percentage in education and training is somewhat higher than the current-law percentage because spending on education and training is not matched currently in the IV-A program.

TABLE 2.—ESTIMATED TOTAL COSTS PER NETWORK PARTICIPANT [1]

[By fiscal year, in dollars]

	1988	1989	1990	1991	1992
Education and training programs	2,500	2,630	2,765	2,900	3,040
Other work programs	1,425	1,500	1,580	1,655	1,735
Average cost [2]	1,855	1,950	2,050	2,155	2,260

[1] These costs do not include costs of assessments, written agreements, or extra child care for young children.

[2] Average costs assume 40 percent of participants would be in education and training and 60 percent would be in other work programs.

The basis of the estimated per participant costs for other work programs shown in Table 2 was published studies by the Manpower Demonstration Research Corporation (MDRC) of findings on AFDC work programs in selected states. These studies, which included both costs and savings, were based on an experimental design that compared persons in work programs with persons not in work programs, permitting valid findings of the effects of the work programs. Final studies were available for programs in five states, or portions of states: Arkansas, California, Maryland, Virginia, and West Virginia. CBO estimates were based on unweighted averages of costs or savings in four states, excluding West Virginia. West Virginia was excluded because its work program—participation in CWEP for a person's length of stay on AFDC—is not representative of the programs most other states provide; in addition, the unusually high unemployment rate in the state makes program savings unrepresentative. The MDRC findings on costs were adjusted in several ways. Most importantly, they were doubled to convert them from costs per experimental to costs per participant. Based on the MDRC studies, it appeared that about one-half of experimentals were never placed in work programs. In addition, a small amount was added for registration costs (because the "control" group usually included WIN costs), and the estimates were adjusted for increases in prices or wages by the implicit GNP deflator for state and local purchases.

Estimated costs of eduction and training programs shown in Table 2 were based on an average of costs in three programs: the federal Job Training Partnership Act program (using costs for AFDC participants); the education and training portions of the Massachusetts Employment and Training (ET) Choices program for AFDC recipients; and the training portion of the Maryland AFDC program, as reported by MDRC.

As participants in work programs find jobs, are sanctioned (i.e., removed from AFDC for failing to participate in the work program), or leave the program rather than participate, savings accrue in welfare programs. Because savings for a single participant can continue for a period of years, aggregate savings for all participants build up over time. How fast they build up depends on assumptions made about the "decay" of savings, that is, about whether and how fast participants lose jobs or return to AFDC for other reasons. The CBO estimates assumed a decay rate of 22 percent a year, beginning in the third year after participation in the work program. Savings in the first two years were reported in the MDRC studies and any decay was incorporated in them. The decay assumption means that in the third year savings are 78 percent of what they would have been without decay, in the fourth year 61 percent, and in the fifth year 48 percent.

The CBO estimated incorporated savings in AFDC benefits and administration, in Food Stamps, and in Medicaid benefits and administration. Unlike the MDRC studies, no savings were shown for increased revenues—income tax or Social Security tax—because these work programs would probably not result in the creation of any new jobs.

Savings per participant (federal and state) are shown in Table 3. As with costs, they were based on the MDRC findings. For AFDC and Food Stamp benefits, savings per experimental were reported in the MDRC studies. These numbers were doubled to adjust from per experimental to per participant (as discussed above for costs), and inflated over time by the rate of increase in average benefit levels in the two programs. Another adjustment was made to deal with estimating savings for education and training programs. The state programs studied by MDRC included virtually no education and training. There are, in fact, no pertinent studies of the effects of education and training programs on welfare benefits. Because CBO did not want to influence comparisons of different bills with different mixes of training and other work programs in the absence of any valid data, it was assumed that savings per dollar spent on work programs would be kept the same for training, education, and other work programs. Thus, to estimate savings for education and training programs, reported savings for other work programs were increased by 1.75 (the ratio of per participant costs for education and training programs to costs for other work programs).

TABLE 3.—ESTIMATED TOTAL SAVINGS PER NETWORK PARTICIPANT [1]

[By fiscal year, in dollars]

	1988	1989	1990	1991	1992
AFDC benefits	380	395	410	425	440
AFDC administration	55	55	60	60	65
Food stamp benefits	80	80	85	90	95
Medicaid	95	120	140	150	160

[1] Savings are before any decay due to loss of jobs or return to welfare programs for other reasons. Also, savings are for the second year after participation and beyond, first-year savings are lower.

Estimated savings for AFDC administration and for Medicaid were based in part on the MDRC findings. MDRC reported the percentages of experimentals who left AFDC: 2.5 percent in the first year and 3.7 percent in the second year. Adjusted as above by doubling and inflating for the share in education and training, the CBO estimate was 6.5 percent and 9.6 percent in years one and two, respectively. For each family off of AFDC—a small proportion of participants—administrative savings were calculated to be $560 in 1988 and $655 in 1992. Also, for somewhat over half of the families off of AFDC, Medicaid savings would accrue. For those families who would lose Medicaid, annual savings (federal and state) were estimated to be $1900 in 1988 and $2570 in 1992. Aggregate federal savings for AFDC, Medicaid, and the Food Stamp program are shown in the detailed table of outlays by title of the bill.

Title II—Day Care, Transportation, and Other Work-Related Expenses. The major provision in Title II would reimburse child care costs for up to six months for families who left AFDC with earned income. States would set sliding scale fees, based upon the family's ability to pay. Reimbursements would be limited to $175 per child aged two and over, and $200 per infant, with these limitations reduced to reflect the family's copayment. The title would be effective October 1, 1987, with a delayed implementation in states where the state legislature was not in regular session when the law was enacted. The transitional child care provision is estimated to cost $105 million in 1988, rising to $200 million in 1992.

CBO estimated that 1.0 million families would be eligible for transitional child care once all states implemented the program. This number was calculated as follows: 1.9 million families leave AFDC each year; 60 percent of them are estimated to leave with earnings; and 90 percent remain off of AFDC for the entire six months. The 60 percent was based on data in a study by David Ellwood ("Working Off of Welfare: Prospects and Policies for Self-Sufficiency of Women Heading Families," Institute for Research on Poverty, Discussion Paper No. 803-86, March 1986).

Of those famiies leaving the program with earnings, CBO assumed that 400,000 had young children and 600,000 had school-age children. The average 1988 costs were estimated to be $656 per family with children under six, and $108 per family with children six and over. These costs, which represent six months of child care, were based on estimates of the cost per child, the proportion of children in paid care, the number of children per family, and the size of the family copayment, as described below.

Monthly child care costs were estimated to average $129 for children under six and $91 for older children in 1988, rising to $139 and $98 in 1992. Average costs per child were based on the cost for child care vouchers in the Massachusetts ET Choices program, costs budgeted for the California GAIN program, and the median rates reported in a recent Census Bureau study on child care arrangements ("Who's Minding the Kids?," Series P-70, No. 9). Data from Massachusetts and California were reduced considerably because both states allow much higher payments for child care under Title XX than do most other states. Costs for children under six were also reduced—by 13 percent in 1988 and 21 percent in 1992—to reflect the effect of the caps of $175 and $200 per month. The caps were estimated to have a smaller effect on school-age child care.

Data from the Census Bureau study cited above show that 37 percent of children under five with single mothers working part-time were cared for by non-relatives (including group care); 58 percent were cared for by relatives; and 6 percent were cared for by parents or kindergarten. For school-age children, 7 percent of care was provided by non-relatives, 14 percent by relatives, and 79 percent by parents, schools, or children themselves. Using these data and the CBO assumption that all of the non-relative care and half of the relative care would be paid care CBO estimated that 65 percent of the young children and 14 percent of the school-age children would require reimbursement for paid child care arrangements. These estimates are uncertain, but are supported by another Census Bureau study ("Child Care Arrangements of Working Mothers: June 1982," Series P-23, No. 129) which reported that 64 percent of mothers who were working part-time and had a child under five paid cash for their principal child care arrangements. Costs for transistional care were reduced by 5 percent (below the costs assumed for the child care provided to Network participants) to reflect the fact that many women who leave AFDC are married and married women report lower use of formal child care than do single women.

CBO estimated that families with at least one child under six had an average of 1.3 young children and .5 children six or older. Other families were estimated to have an average of 1.8 children aged six or older.

The average costs to the government assumed a copayment of $24 per month by the family. Families were estimated to have an average annual income of $9,100, and be charged a 3 percent copayment. The $9,100 average income for families leaving AFDC was based on average earnings of ET graduates, median wages reported by GAO ("Work and Welfare", January 1987, HRD-87-34), and average earnings reported by David Ellwood (op.cit.). Copayments were assumed to follow the sliding scales currently being used for Title XX child care. Of fourteen states contacted in a phone survey, six states reported charging noting for a family of three with an income of $8,500 ($9,100 in 1988 dollars). The remaining states charged from 1 percent to 6 percent of income for one child in care, and 1 percent to 11 percent for two children in care. The overall average was 2.7 percent for one child and 3.5 percent for two children.

Title III—Real Work Incentives.—In AFDC, benefits for those with earnings are determined after disregarding a portion of the earnings; the higher the disregards, the higher are benefits and the number of beneficiaries. Under current law, these monthly disregards include the sum of: $75, up to $160 per child for child care, $30 for 12 months, and one-third of remaining earnings for four months. Effective October 1, 1988, the bill would increase the disregards for those on AFDC for more than four months by providing a disregard of $100 and one-quarter of any remaining earnings. Title II of the bill would increase the child care deduction from $160 to $175 or $200 for a child under the age of two and take the deduction after, rather than before, the one-quarter disregard.

These changes are estimated to bring 50,000 families onto AFDC and to benefit most of the 230,000 families with earnings already on AFDC. These estimates were based on simulations using a 1979 AFDC Characteristics Survey which has been adjusted to allow for legislative changes since 1979. The estimate of new families is similar to the result—56,000 newly eligible, participating families—using TRIM, a micro-simulation model discussed later under Title VI. CBO estimates the costs of these projected changes to be $40 million in 1989 and $100 million in 1992, including Medicaid costs for the new AFDC recipients and Food Stamp savings due to the rise in AFDC incomes. The 1989 cost was reduced by the provision noted above that postponed the effective date for states until after their legislatures had met. The cost estimate was not increased to allow for more earners on AFDC as a result of Network nor decreased to account for potential increases in work effort as a result of the reduced "tax" rate on earnings.

The bill would require further that the $100 earnings deduction be indexed in the same manner as Social Security benefits. Increases would be effective on February 1 of each year. Based on CBO's economic assumptions of January 1987, the $100 would rise to $104 in 1989 and $118 in 1992. CBO estimates the cost of this indexing to be $1 million in 1989 and $15 million in 1992, after allowing for Food Stamp offsets.

As provided in the bill, income from the Earned Income Tax Credit would be disregarded in determining AFDC benefits. CBO estimates the cost to be $7 million in 1989 and $10 million in 1992, after allowing for offsets that would lower the costs of the Food Stamp program.

Title IV—Transitional Services for Families.—This title would provide that families with earnings who left AFDC would be eligible for Medicaid for six months, effective as of October 1, 1988, (and later for some states until their legislatures were in session). CBO estimated that about 800,000 families per year would receive some additional Medicaid benefits. About one-half of the families would receive an additional two months of coverage over current law and the remainder the full six months. Federal costs are estimated to be $130 million by 1992.

This estimate was developed in two parts. First, the number of families who would receive the six transitional months was estimated along with their Medicaid costs. This estimate was reduced by a projection of Medicaid costs for these families under current law. Each part is discussed in turn.

CBO estimates that the number of families who would receive the additional six months of Medicaid would be about 1.2 million per year. Some 1.9 million families leave AFDC each year (not counting those families who leave because their youngest child is too old to be eligible for AFDC). Based on data in a study by David Ellwood (op. Cit.), CBO estimated that 60 percent of these families would have some earnings when they left AFDC, making them eligible for the transition benefits. The estimate was increased by the number of families who were estimated to leave AFDC because of Network and by the number of new two-parent families leaving AFDC each year with the mandating of the AFDC-Unemployed Parent program in all states.

Medicaid costs for these families would depend on whether they had private health insurance through their jobs. Based on data from the Current Population Survey—a household survey of the Bureau of the Census—CBO estimated that 55 percent of the families would have access to health insurance. Data do not exist on Medicaid costs for those with private health insurance. CBO assumed that 85 percent of the families would buy into or receive the health insurance and that their Medicaid costs would be one-third of "full" costs, giving a 28 percent reduction for those with health insurance. Federal Medicaid costs (for those without health insurance) were estimated to be $1,140 in 1989 and $1,425 in 1992, amounts for "healthy" families. Costs were reduced by about 10 percent to allow for recidivism and for loss of Medicaid by those who voluntarily left their jobs.

Current-law Medicaid cost for families leaving AFDC were subtracted from the cost of the six-month extension. Current-law treatment of families leaving Medicaid with earnings is complex. Those who leave because their hours of work or their earnings increases receive Medicaid for four months. Those who leave because they lose the $30 and one-third earnings disregard after they have worked for four or twelve months receive Medicaid for nine months and at state option for another six months. Further, some families qualify for Medicaid under medically-needy provisions. For purposes of this estimate, CBO calculated that 50 percent of the families who left AFDC with any earnings would receive extended Medicaid benefits for 4, 9, or 15 months. Of the remaining 50 percent who would receive no extended Medicaid, 35 percent estimated to qualify for medically-needy benefits. Current-law costs were increased slightly to account for legislation in recent years that extended Medicaid to low-income pregnant women and young children, and were reduced to allow for recidivism.

Title V—Child Suport Enforcement Amendments.—H.R. 1720 would alter the Child Support Enforcement (CSE) program in a number of respects. This discussion focuses on the major changes.

The bill would require the states to establish guidelines for appropriate amounts of child support awards, and to update these guidelines at least once every three years to reflect changes in the cost of living. Further, the bill would require that there be a "rebuttable presumtion" that the guideline amount is the correct amount to use for the award of child support. Child support awards would have to be updated at least once every two years so as to remain in compliance with the guidelines.

The CBO estimate for mandating child support guidelines shows federal savings of $30 million in 1989, rising to $175 million in 1992. About three-quarters of the savings are for increased child support collections for AFDC families, and the remainder for welfare savings due to increased collections for non-AFDC families. Increased child support collections for AFDC families were based on an estimated $600 per year increases in current collections per family, from $1400 to $2000 a year. This estimate was developed by the Department of Health and Human Services (DHHS) from information in several states that currently use guidelines. Based on published Census Bureau data (Child Support and Alimony: 1983, Current Population Reports, Special Studies, Series P-23, No. 148, October 1986), CBO estimated that 70 percent of the additional awards would actually be collected. These numbers were applied to projected new and modified orders for AFDC cases, rising from 630,000 in 1989 to 835,000 in 1992. Collections from the increased awards would build up over time as they were applied to more and more AFDC cases. Collections would be lost, however, as families left AFDC. CBO estimated that 73 percent, 53 percent, 43 percent, and 30 percent of the AFDC families would remain on AFDC in years one to four, respectively. These percentages were based on study by David Ellwood and Mathematica Polcy Research, Inc. for DHHS ("Targeting 'Would-Be' Long-Term Recipients of AFDC", January 1986). Resulting savings were reduced by one-third to allow for states that already use, or are expected to use, guidelines.

For estimates of collections from non-AFDC families, the procedures were much the same although specific parameters were often different. The estimate of increased awards—$600—was retained, but 76 percent was estimated to be collected. New and modified orders were projected to rise from 455,000 in 1989 to 720,000 in 1992. The reduction in savings from non-AFDC cases over time was assumed to be 95 percent in year one and 80 percent by year four. Good estimates do not exist of the welfare savings associated with the collection of child support for non-AFDC families (so-call cost avoidance); CBO assumed that the savings equalled 10 percent of the added collections.

The savings estimate by CBO included only savings for families with new or modified support orders, where costs of applying the guidelines would be insignificant. The bill also would require that existing awards be modified a least every two years. For non-AFDC cases, these modifications probably would increase costs. Court costs associated with child support orders are about $500 per order, although expedited procedures could reduce these costs. For AFDC cases, the potential would exist for greater savings. One study in New Jersey found significant savings from updating exisiting AFDC orders. On the other hand, some experts in the area of child support believe that states would not have the resources to alter existing orders on any significant scale without reducing other services. For purposes of this estimate, CBO assumed that any savings from modifying existing orders for AFDC families would be offset by costs for non-AFDC families.

Another provision of the bill would require states to have procedures for determining the paternity of every child receiving AFDC. States would be deemed to satisfy this requirement if the number of paternity determinations increased by 50 percent between fiscal year 1986 and fiscal year 1989, and by 15 percent in each of the following four years. Increasing paternity determinations is estimated to increase costs in the first two years, but eventually would result in net savings to the federal government.

States determined paternity in 245,000 child support enforcement cases in 1986. CBO has estimated that paternity determinations will rise by ten percent per year under current law, based on an historical growth rate of six percent and Administration actions to increase paternity determinations. The bill would require states to make 368,000 paternity determinations in 1989, which is 40,000 above current law projections. CBO assumed that under this bill paternity determinations would increase by 10,000 (above baseline growth) in 1988, 40,000 in 1989, and between 15,000 and 20,000 in each of the following years. Each additional paternity determination was estimated to cost $460, based on state-reported costs for 1986. Average child support collections were assumed to be $900 per year for half the paternities determined, with collections beginning one year after costs were incurred, and continuing for several years. Collection assumptions were based on a study by Edward Young (Costs and Benefits of Paternity Establishment, The Center for Health and Social Services Research, February 1985), and on information from state and local agencies. CBO estimated that 85 percent of the new collections would be for AFDC cases, and 15 percent for non-AFDC cases, following the relative numbers of AFDC and non-AFDC paternity determinations reported in 1986.

Under a related provision, the formula for computing incentive payments to states would be adjusted so as to give states greater financial rewards for determining paternity for CSE cases. Specifically, collections of $100 per month would be imputed for each paternity case with no collections or with collections of under $100. Incentive payments are based on a State's ratio of collections to costs, so that higher collections would increase incentive payments. The CBO estimate shows federal costs of $16 million in 1989 and $21 million in 1992. The estimate assumed that the total number of paternity determinations would rise as mandated in the provision described above. Average collections were assumed to follow the pattern described above.

Another provision would require states to install an automatic data processing and information retrieval system that would be operational by October 1, 1992. Development of such systems is optional under current law. The Administration has identified nineteen states that are not developing state-wide ADP systems that meet the applicable statutory and regulatory requirements for 90 percent funding. The $94 million total cost for acquiring systems in these states was estimated by extrapolating from the costs for completed systems. Inflation increases were assumed to be offset by savings as a result of adaptations of systems from other states. The federal government would pay 90 percent of these costs, which were expected to fall most heavily in the two years prior to full operation.

Another provision of the bill would reduce the federal match rate for states that were not in compliance with the 1984 Child Support Enforcement Amendments and raise the federal match rate for states that would require immediate withholding of child support from income on issuance of a court order. Within six months of enactment, the match rate would be reduced from 68 percent to 66 percent for states not in compliance with the 1984 amendments. The CBO estimate assumed that 50 percent of the states would not be in compliance, resulting in federal savings of $6 million in 1988 and $12 million in 1989. There are savings for only two years because the CSE match is scheduled to decline to 66 percent for all states in 1990.

States that would initiate immediate income withholding would have their match rates retained at 70 percent, resulting in estimated federal costs of $2 million in 1989 and $8 million in 1992. For purposes of this estimate, CBO assumed that the following percentage of states would be induced to move to immediate income withholding: 15 percent of the states in compliance with the 1984 amendments in 1989, and 25 percent of all states in 1990, 40 percent in 1991, and 50 percent in 1992. Costs of the higher match would be an estimated $5 million in 1989 and $28 million in 1992, including costs for the handful of states that currently have immediate income withholding. There would be small start-up costs to implement the income withholding on the order of $1 million to $2 million a year. The immediate income withhholding would increase child support collections by 5 percent, according to CBO assumptions. Resulting AFDC collections would save $2 million in 1989 and $13 million in 1992; welfare savings from increased non-AFDC collections would save $1 million in 1989 and $8 million in 1992.

Title VI—Pro-Family Welfare Policies.—The major provision in this title would require all states to provide AFDC benefits to two-parent families where the principal earner is unemployed, effective January 1, 1990. At the present time, 24 states do not provide such benefits.

By 1992, CBO estimates that this provision would bring 90,000 additional two-parent families onto AFDC. The number of AFDC would be slightly lower in 1991 and about 50,000 in 1990 because it would take some time for all eligible families to come onto AFDC. CBO's estimate assumed that those families who receive Food Stamps would come onto AFDC very quickly but that other families would come on quite gradually. Costs are estimated to rise from $225 million in 1990 to $480 million in 1992, including resulting Medicaid costs and Food Stamp savings.

The estimate is based on simulations from the TRIM model, developed by the Urban Institute. The model is based on data from the Current Population Survey (CPS), and compares legislative changes to AFDC current law. The model, using the 1985 CPS, estimated that 150,00 families would be newly eligible for AFDC. Of these, CBO estimated that 60 percent would participate—a participation rate close to that in states that currently have an AFDC-UP program. Average monthly benefits from TRIM and were increased based on benefit increases in CBO's baseline, and were adjusted upward for interactions with the provision in H.R. 1720 that would increase the federal match rate on AFDC benefit increases (see the discussion of Title VII). To these increased benefit costs, CBO added AFDC administrative costs for the new families, averaging $605 per family in 1990 and $655 in 1992.

Title VII—Benefit Improvements.—H.R. 1720 as amended would provide that the federal match rate would be increased by 25 percent for any increases in AFDC benefit levels after October 1, 1988. The increased federal match rate would be capped at 90 percent. CBO estimates that this provisions would cost $65 million in 1989. Its cost would rise over time and by 1992 would be an estimated $560 million, after allowing for Food Stamp savings. The average federal match rate on the benefit increases would be 68 percent and the state match 32 percent. The current average federal match rate is 55 percent.

CBO's baseline project increases in AFDC benefits levels of 3.7 percent per year. This projection of benefits is based on an extrapolation of increases in benefits in the recent past. The higher federal match rate on these benefit increases would cost the federal government an estimated $40 million in 1989 and $340 million in 1992; states would save a corresponding amount.

A second aspect of the estimate is the states' response to their reduced match rate. States could under this bill increase AFDC benefits more than they would have increased them under current law. CBO estimated that one-half of the state savings would go into further benefit increases, raising federal costs another $45 million in 1989 and $365 million in 1992. Part of the added federal costs would be offset by savings in the Food Stamp program. As a result of this inducement, benefit increases to families over current law would be an estimated $535 million by 1992.

Title VIII—Miscellaneous Provisions.—The last title of the bill includes a number of minor provisions with small costs. It would increase the caps set on the amounts of federal payments to the territories. In total, the caps would be raised by $10 million a year, with virtually all of the increase going to Puerto Rico.

6. *Estimated cost to state and local governments:* The estimated cost of H.R. 1720 as amended to state and local governments would rise from $141 million in 1988 to a peak of $371 million in 1991 before declining to $272 million in 1992. Costs in AFDC, which would account for most of costs in 1988 and 1989, would decline sharply after 1990 and turn into savings in 1992. Costs in Medicaid would rise throughout the period.

Costs are shown by title and program in the accompanying table. In Title I, state savings would reflect the Network program. As noted earlier, states would have few costs from Network but they would share in the savings in AFDC and in Medicaid as work program participants acquired jobs and moved off of welfare. Because Food Stamps is a fully federally-funded program, states would not share in any benefit savings, nor would they be affected by Food Stamp changes in any other titles of the bill.

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
Title I:					
AFDC	(1)	−2	−12	−33	−57
Medicaid	(1)	−1	−5	−10	−15
Subtotal	(1)	−3	−17	−43	−72
Title II:					
AFDC	92	127	164	169	174
Medicaid	— — —	— — —	— — —	— — —	— — —
Subtotal	92	127	164	169	174
Title III:					
AFDC	— — —	47	92	97	112
Medicaid	— — —	10	30	35	40
Subtotal	— — —	57	122	132	152
Title IV:					
AFDC	— — —	— — —	— — —	— — —	— — —
Medicaid	— — —	40	85	95	100
Subtotal	— — —	40	85	95	100
Title V:					
AFDC	7	−40	−146	−219	−289
Medicaid	(1)/	−2	−5	−10	−15
Subtotal	7	−42	−151	−229	−304
Title VI:					
AFDC	35	35	115	185	205
Medicaid	2	2	87	172	182
Subtotal	37	37	202	357	387

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
Title VII:					
AFDC	1	−19	−64	−114	−169
Medicaid	— — —	— — —	— — —	— — —	— — —
Subtotal	1	−19	−64	−114	−169
Title VIII:					
AFDC	4	4	4	4	4
Medicaid	— — —	— — —	— — —	— — —	— — —
Subtotal	4	4	4	4	4
Total:					
AFDC	139	152	153	89	−20
Medicaid	2	49	192	282	292
Total	141	201	345	371	272

[1] Less than $500,000.

The child care changes in Title II, especially the benefits provided after a family left AFDC, would cost states their regular share of AFDC benefits, which averages 55 percent. In Title III, the changes in earnings disregards would add to state costs in both AFDC and Medicaid. Again, their cost would reflect their shares of spending—55 percent—in AFDC and Medicaid. Extending Medicaid to families for six months after they left AFDC, as provided for in Title IV, would also raise state costs.

The Child Support Enforcement provisions of Title V would save states substantial sums, rising to an estimated $304 million in 1992. About 75 percent of the savings would occur because of the mandating of the use of guidelines in child support awards. State savings from these changes would be much greater than federal savings. The federal government pays 68 percent of the state costs of CSE beginning in 1988 and recoups only 29 percent of any increased AFDC collections while states recoup 49 percent. The federal share of collections is reduced by incentive payments made to the states and also by child support collections retained by families. AFDC families can keep up to $50 a month of child support collections, which reduces state as well as federal savings.

States would incur their greatest costs from the major change made in Title VI—mandating of the AFDC-Unemployed Parent program beginning on January 1, 1990. Some 24 states do not currently provide such benefits. For these states, costs in AFDC and Medicaid are estimated to be $165 million, $320 millon, and $350 million in fiscal years 1990 to 1992, respectively.

Title VII would result in estimated state savings from the provision that would raise the federal match rate by 25 percent on any benefit increases after October 1, 1988. The savings estimated by CBO assumed that one-half of the state savings would be plowed back into AFDC benefit increases. If states were to retain more of the savings, and put less into additional benefit increases, their savings would be greater than shown here. Title VIII would have minor effects on states.

While CBO does not do state-by-state estimates, it is clear that the distribution among states of the costs and savings of H.R. 1720 would be far from even. Only a subset of states—24 in all—would be affected by the provision with the greatest cost, mandating AFDC-UP. The provision to raise the federal match on benefit increases would also benefit most those states with the highest projected benefit increases under current law.

7. Estimate comparison: None.

8. Previous CBO estimate: The CBO provided a preliminary estimate of the cost of H.R. 1720 as it was reported from the Public Assistance Subcommittee of the Ways and Means Committee. The bill as it was reported from the full Committee amended the earlier version significantly, reducing costs by $0.8 billion over the five-year period—from $6.1 billion to $5.3 billion. The change in federal costs between the two bills is shown in the table below.

[Outlays, by fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
H.R. 1720 reported from Public Assistance Subcommittee	167	641	1,485	1,841	1,992
H.R. 1720 reported from Committee on Ways and Means	192	520	1,214	1,599	1,780
Change	25	-121	-271	-242	-212

Three major changes resulted in the reduced costs of the bill reported from the Committee on Ways and Means. The most important change was to eliminate from the bill mandating of a minimum benefit in AFDC. While the minimum benefit provision would not have become effective until 1993, beyond CBO's five-year estimating period, it would have cost the federal government an estimated $1.4 billion a year when fully implemented. Second, the federal match rate on administrative costs was reduced from 60 percent to 50 percent as in current law while the federal match on work program costs in Network was increased from 60 percent to 65 percent. Third, Medicaid transition benefits to those families who would leave AFDC with earnings were reduced from nine months to six months, and were not provided to families who would leave with child support income.

Changes in one provision raised costs significantly. In the version reported from the Subcommittee, the state match rate was to have been reduced by 20 percent on increases in state benefit levels after October 1, 1988. In the full Committee version, the federal match rate would be increased by 25 percent.

9. Estimate prepared by: Janice Peskin, Julie Isaacs, Michael Pogue, Paul Cullinan, Ken Pott, Marianne Deignan, Don Muse, Anne Harvey, and Chris Ross.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

IV. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. VOTE OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made: the bill, H.R. 1720, was ordered favorably reported to the House of Representatives on June 10, 1987 by a vote of 23 to 13.

B. OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of Rule XI of the Rules of the House of Representatives, the Committee reports that the need for this legislation was confirmed by the oversight hearings of the Subcommittee on Public Assistance and Unemployment Compensation.

In the 99th Congress, the Subcommittee held a total of 12 hearings on: children in poverty; welfare reform; work, education and training; and emergency assistance for homeless families. The hearings were as follows:

On April 30, 1985, the Subcommittee held a hearing on poverty and hunger in America which included a site visit in Washington, D.C. (Serial 99-4).

On May 7, 1985, the Subcommittee held a hearing on teenage pregnancy issues and their implications for the AFDC program. The hearing focused on the degree to which teenage parents become dependent on welfare programs for support and suggestions for solving this problem (Serial 99-33).

On May 22, 1985, the Subcommittee held a hearing on children in poverty. The purpose of the hearing was to provide Members with a briefing on the report, "Children in Poverty," prepared by the Congressional Budget Office and the Congressional Research Service for the Subcommittee (Serial 99-18).

On February 18, 1986, the Subcommittee held a second hearing on the issue of teenage pregnancy. This hearing focused on pregnancy among black teenagers and included viewing the Bill Moyers television special, "The Vanishing Family: Crisis in Black America" (Serial 99-60).

On February 27, 1986, the Subcommittee held a hearing on the President's AFDC work proposals and the White House Domestic Policy Council evaluation of Federal welfare programs (Serial 99-67).

On March 13, March 20, April 22, May 22 and June 17, 1986, the Subcommittee held a series of hearing on work, education and training opportunities for welfare recipients. Testimony was received from a variety of witnesses including States, localities, labor, business, recipients and advocates (Serial 99-91).

On June 9, 1986, the Subcommittee held a hearing, in Memphis, Tennessee, on poverty in the South and southern States' programs designed to break the cycle of poverty (Serial 99-94).

On December 12, 1986, the Subcommittee held a hearing in New York, New York, on the use of emergency assistance funds for the acquisition of temporary and permanent housing for homeless families.

In the 100th Congress, the subcommittee held seven additional hearings on welfare reform (January 28, 1987; February 19, 1987; March 4, 1987; March 6, 1987; March 10, 1987; March 11, 1987; and March 13, 1987. In addition, two hearings were held on H.R. 1720, the Family Welfare Reform Act of 1987 (March 30, 1987; and April 1, 1987).

C. Oversight by Committee on Government Operations

In compliance with clause 2(l)(3)(D) of Rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings and recommendations have been submitted to this Committee by the Committee on Government Operations regarding the provisions contained in this bill.

D. Inflation Impact

In compliance with clause 2(l)(4) of Rule XI of the Rules of the House of Representatives, the Committee states that H.R. 1720, as reported, has a total cost in fiscal year 1988 of $192 million, a cost of $520 million in fiscal year 1989, and a cost of $1.2 billion in fiscal year 1990. The Committee believes that the bill will have no inflationary impact on the economy.

V. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Social Security Act

* * * * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

* * * * * * *

Part A—[Aid to Families With Dependent Children] *Family Support Program*

* * * * * * *

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

Sec. 402. (a) A State plan for aid and services to needy families with children must—

(1) * * *

* * * * * * *

(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for [aid

to families with dependent children] *aid in the form of family support supplements* is denied or is not acted upon with reasonable promptness;

* * * * * * *

(7) except as may be otherwise provided in paragraph (8) or (31) and section 415, provide that the State agency—

(A) shall, in determining need, take into consideration any other income and resources of any child or relative claiming [aid to families with dependent children] *aid in the form of family support supplements*, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid;

* * * * * * *

[(8)(A) provide that, with respect to any month, in making the determination under paragraph (7), the State agency—

[(i) shall disregard all of the earned income of each dependent child receiving aid to families with dependent children who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment;

[(ii) shall disregard from the earned income of any child or relative applying for or receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $75 of the total of such earned income for such month;

[(iii) shall disregard from the earned income of any child, relative, or other individual specified in clause (ii), an amount equal to expenditures for care in such month for a dependent child, or an incapacitated individual living in the same home as the dependent child, receiving aid to families with dependent children and requiring such care for such month, to the extent that such amount (for each such dependent child or incapacitated individual) does not exceed $160 (or such lesser amount as the Secretary may prescribe in the case of an individual not engaged in full-time employment or not employed throughout the month);

[(iv) shall disregard from the earned income of any child or relative receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account inmaking such determination, an amount equal to (I) the first $30 of the total of such earned income not disregarded under any other clause of this subparagraph plus (II) one-third of the remainder thereof (but excluding, for purposes of this subparagraph, earned income derived from participation on a project maintained under the programs established by section 432(b)(2) and (3));

[(v) may disregard the income of any dependent child applying for or receiving aid to families with dependent children which is derived from a program carried out under the Job Training Partnership Act (as originally enacted), but only in such amounts, and for such period of time (not to exceed six months with respect to earned income) as the Secretary may provide in regulations;

[(vi) shall disregard the first $50 of any child support payments received in such month with respect to the dependent child or children in any family applying for or receiving aid to families with dependent children (including support payments collected and paid to the family under section 457(b)); and

[(vii) may disregard all or any part of the earned income of a dependent child who is a full-time student and who is applying for aid to families with dependent children, but only if the earned income of such child is excluded for such month in determining the family's total income under paragraph (18); and

[(B) provide that (with respect to any month) the State agency—

[(i) shall not disregard, under clause (ii), (iii), or (iv) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

[(I) terminated his employment or reduced his earned income without good cause within such period (of not less than thirty days) preceding such month as may be prescribed by the Secretary;

[(II) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by the employer, to be a bona fide offer of employment; or

[(III) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month; and

[(ii)(I) shall not disregard—

[(a) under subclause (II) of subparagraph (A)(iv), in a case where such subclause has already been applied to the income of the persons involved for four consecutive months while they were receiving aid under the plan, or

[(b) under subclause (I) of subparagraph (A)(iv), in a case where such subclause has already been applied to the income of the persons involved for twelve consecutive months while they were receiving aid under the plan, any earned income of any of the persons specified in subparagraph (A)(ii), if, with respect to such month, the income of the persons so specified was in excess of their need, as determined by the State agency pursuant to paragraph (7) (without regard to subparagraph (A)(iv) of this paragraph), unless the persons received aid under the plan in one or more of the four months preceding such month; and

[(II) in the case of the earned income of a person with respect to whom subparagraph (A)(iv) has been applied for four consecutive months, shall not apply the provisions of subclause (II) of such subparagraph to any month after such month, or apply the provisions of subclause (I) of such subparagraph to any month after the eight month following such month, for so long as he continues to receive aid under the plan, and shall not apply the provisions of either such subclause to any month thereafter until the expiration of an additional period of twelve consecutive months during which he is not a recipient of such aid; and

[(C) provide that in implementing this paragraph the term "earned income" shall mean gross earned income, prior to any deductions for taxes or for any other purposes;]

(8)(A) provide (subject to subsection (g)(1)(C)) that, with respect to any month, in making the determination under paragraph (7), the State agency—

(i) shall disregard all of the earned income of each dependent child receiving family support supplements who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to prepare him or her for gainful employment;

(ii) shall disregard from the earned income of any child or relative applying for or receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $100 of the total of such earned income for such month;

(iii) shall disregard from the earned income of any child or relative receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to 25 percent of the total of such earned income not disregarded under any other clause of this subparagraph;

(iv) shall disregard the first $50 of any child support payment received in such month which was due for that month, and the first $50 of any child support payment received in such month which was due for a prior month if such payment was timely made when due by the absent parent, with respect to the dependent child or children in any family applying for or receiving family support supple-

ments (including support payment collected and paid to the family under section 457(b));

(v) may disregard the income of any dependent child or minor parent applying for or receiving family support supplements which is derived from a program carried out under the Job Training Partnership Act, but only in such amounts and for such period of time (not to exceed 6 months with respect to earned income) as the Secretary may provide in regulations;

(vi) may disregard all or any part of the earned income of a dependent child who is a full-time student and who is applying for family support supplements, but only if the earned income of such child is excluded for such month in determining the family's total income under paragraph (18); and

(vii) shall disregard any refund of Federal income taxes made to a family receiving family support supplements by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income credit) and any payment made to such a family by an employer under section 3507 of such Act (relating to advance payment of earned income credit); and

(B) provide that (with respect to any month) the State agency shall not disregard, under clause (ii) or (iii) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

(i) terminated his or her employment or reduced his or her earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary;

(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he or she is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after consulting with the employer, to be a bona fide offer of employment; or

(iii) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month;

(9) provide safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part B**[**,C,**]** or D of this title or under title I, X, XIV, XVI, XIX, or XX, or the supplemental security income program established by title XVI, (B) any investigation, prosecution, or criminal or civil proceeding, conducted in connection with the administration of any such plan or program, (C) the administration of any other Federal or federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need, and (D) any audit or similar activity conducted in connection with the ad-

ministration of any such plan or program by any governmental entity which is authorized by law to conduct such audit or activity; and the safeguards so provided shall prohibit disclosure, to any committee or legislative body (other than an entity referred to in clause (D) with respect to an activity referred to in such clause), of any information which identifies by name or address any such applicant or recipient; but such safeguards shall not prevent the State agency or the local agency responsible for the administration of the State plan in the locality (whether or not the State has enacted legislation allowing public access to Federal welfare records) from furnishing a State or local law enforcement officer, upon his request, with the current address of any recipient if the officer furnishes the agency with such recipient's name and social security account number and satisfactorily demonstrates that such recipient is a fugitive felon, that the location or apprehension of such felon is within the officer's official duties, and that the request is made in the proper exercise of those duties;

(10)(A) provide that all individuals wishing to make application for **[**aid to families with dependent children**]** *aid in the form of family support supplements* shall have opportunity to do so, and that **[**aid to families with dependent children**]** *aid in the form of family support supplements* shall, subject to paragraphs (25) and (26), be furnished with reasonable promptness to all eligible individuals; and

(B) provide that an application for aid under the plan will be effective no earlier than the date such application is filed with the State agency or local agency responsible for the administration of the State plan, and the amount payable for the month in which the application becomes effective, if such application becomes effective after the first day of such month, shall bear the same ratio to the amount which would be payable if the application had been effective on the first day of such month as the number of days in the month including and following the effective date of the application bears to the total number of days in such month;

(11) provide for prompt notice (including the transmittal of all relevant information) to the State child support collection agency (established pursuant to part D of this title) of the furnishing of **[**aid to families with dependent children**]** *aid in the form of family support supplements* with respect to a child who has been deserted or abandoned by a parent (including a child born out of wedlock without regard to whether the paternity of such child has been established);

* * * * * * *

(14) with respect to families in the category of recent work history or earned income cases (and at the option of the State with respect to families in other categories), (A) provide that the State agency will require each family to which it furnishes **[**aid to families with dependent children**]** *aid in the form of family support supplements* (or to which it would provide such aid but for paragraph (22) or (32)) to report, as a condition to the continued receipt of such aid (or to continuing to be

deemed to be a recipient of such aid), each month to the State agency on—

(i) the income received, family composition, and other relevant circumstances during the prior month; and

* * * * * * *

(17) provide that if a child or relative applying for or receiving [aid to families with dependent children,] *aid in the form of family support supplements*, or any other person whose need the State considers when determining the income of a family, receives in any month an amount of earned or unearned income which, together with all other income for that month not excluded under paragraph (8), exceeds the State's standard of need applicable to the family of which he is a member—

(A) such amount of income shall be considered income to such individual in the month received, and the family of which such person is a member shall be ineligible for aid under the plan for the whole number of months that equals (i) the sum of such amount and all other income received in such month, not excluded under paragraph (8), divided by (ii) the standard of need applicable to such family, and

* * * * * * *

[(19) provide—

[(A) that every individual, as a condition of eligibility for aid under this part, shall register for manpower services, training, employment, and other employment-related activities (including employment search, not to exceed eight weeks in total in each year) with the Secretary of Labor as provided by regulations issued by him, unless such individual is—

[(i) a child who is under age 16 or attending, full-time, an elementary, secondary, or vocational (or technical) school;

[(ii) a person who is ill, incapacitated, or of advanced age;

[(iii) a person so remote from a work incentive project that his effective participation is precluded;

[(iv) a person whose presence in the home is required because of illness or incapacity of another member of the household;

[(v) the parent or other relative of a child under the age of six who is personally providing care for the child with only very brief and infrequent absences from the child;

[(vi) the parent or other caretaker of a child who is deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, if another adult relative is in the home and not excluded by clause (i), (ii), (iii), or (iv) of this subparagraph (unless he has failed to register as required by this subparagraph, or has been found by the Secretary of Labor to have refused without good cause to participate under a work incentive program or accept employment as described in subparagraph (F) of this paragraph;

[(vii) a person who is working not less than 30 hours per week;

[(viii) the parent of a child who is deprived of parental support or care by reason of the unemployment of a parent, if the other parent (who is the principal earner, as defined in section 407(d)) is not excluded by the preceding clauses of this subparagraph; or

[(ix) a women who is pregnant if it has been medically verified that the child is expected to be born in the month in which such registration would otherwise be required or within the 3-month period immediately following such month;

and that any individual referred to in clause (v) shall be advised on his or her option to register, if he or she so desired, pursuant to this paragraph, and shall be informed of the child care services (if any) which will be available to him or her in the event he or she should decide so to register;

[(B) that aid to families with dependent children under the plan will not be denied by reason of such registration or the individual's certification to the Secretary of Labor under subparagraph (G) of this paragraph, or be reason of an individual's participation on a project under the program established by section 432(b)(2) or (3);

[(C) for arrangements to assure that there will be made a non-Fedeal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 10 per centum of the cost of such programs as specified in section 435(b);

[(D) that (i) training incentives authorized under section 434 shall be disregarded in determining the needs of an individual under paragraph (7), and (ii) in determining such individual's needs the additional expenses attributable to his participation in a program established by section 432(b)(2) or (3) shall be taken into account;

[(F) that if (and for such period as is prescribed under joint regulations of the Secretary and the Secretary of Labor) any child, relative or individual has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secretary of Labor has determined his participation is consistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

[(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under paragraphs (7), and aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) or section 472 will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made;

[(ii) if the parent who has been designated as the principal earner, for purposes of section 407, makes such refusal, aid will be denied to all members of the family;

[(iii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal;

[(iv) if there is more than one child receiving aid in the family, aid for any such child will be denied (and his needs will not be taken into account in making the determination under paragraphs (7)) if that child makes such refusal; and

[(v) if such individual makes such refusal, such individual's needs shall not be taken into account in making the determination under paragraph (7);

[(G) that the State agency will have in effect a special program which (i) will be administered by a separate administrative unit (which will, to the maximum extent feasible, be located in the same facility as that utilized for the administration of programs established pursuant to section 432(b) (1), (2), or (3)) and the employees of which will, to the maximum extent feasible, perform services only in connection with the administration of such program, (ii) will provide (through arrangements with others or otherwise) for individuals who have been registered pursuant to subparagraph (A) of this paragraph (I) in accordance with the order of priority listed in section 433(a), such health, vocational rehabilitation, counseling, child care, and other social and supportive services as are necessary to enable such individuals to accept employment or receive manpower training provided under section 432(b) (1), (2), or (3), and will, when arrangements have been made to provide necessary supportive services, including child care, certify to the Secretary of Labor those individuals who are ready for employment or training under section 432(b) (1), (2), or (3), (II) such social and supportive services as are necessary to enable such individuals as determined appropriate by the Secretary of Labor actively to engage in other employment-related (including but not limited to employment search) activities, as well as timely payment for necessary employment search expenses, and (III) for a period deemed appropriate by the Secretary of Labor after such an individual accepts employment, such social and supportive services as are reasonable and necessary to enable him to retain such employment, (iii) will participate in the development of operational and employability plans under section 433(b); and (iv) provides for purposes of clause (ii) that, when more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available; and

[(H) that an individual participating in employment search activities shall not be referred to employment opportunities which do not meet the criteria for appropriate work and training to which an individual may otherwise be assigned under section 432(b) (1), (2), or (3);]

(19) provide that the State has in effect and operation an education, training, and work program approved by the Secretary as meeting all of the requirements of section 416;

* * * * * * *

(21) provide—

(A) that, for purposes of this part, participation in a strike shall not constitute good cause to leave, or to refuse to seek or accept employment; and

(B)(i) that [aid to families with dependent children] *aid in the form of family support supplements* is not payable to a family for any month in which any caretaker relative with whom the child is living is, on the last day of such month, participating in a strike, and (ii) that no individual's needs shall be included in determining the amount of aid payable for any month to a family under the plan if, on the last day of such month, such individual is participating in a strike;

* * * * * * *

(29) provide for the assignment of a case manager to each family which is receiving family support supplements under the plan and which is headed by a minor parent, as described in section 417, and include the other provisions and conditions required by that section;

* * * * * * *

[(35) at the option of the State, provide—

[(A) that as a condition of eligibility for aid unde the State plan of any individual claiming such aid who is required to register pursuant to paragraph (19)(A) (or who would be required to register under paragraph (19)(A) but for clause (iii) thereof), including all such individuals or only such groups, types, or classes thereof as the State agency may designate for purposes of this paragraph, such individual will be required to participate in a program of employment search—

[(i) beginning at the time he applies for such aid (or an application including his need is filed) and continuing for a period (prescribed by the State) of not more than eight weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for aid or in issuing a payment to or in behalf of any individual who is otherwise eligible for such aid); and [(ii) at such time or times after the close of the period prescribed under clause (i) as the State agency may determine but not to exceed a total of 8 weeks in any 12 consecutive months;

[(B) that any individual participating in a program of employment search under this paragraph will be furnished such transportation and other services, or paid (in advance or by way of reimbursement) such amounts to cover transportation costs and other expenses reasonably incurred in meeting requirements imposed on him under this paragraph, as may be necessary to enable such individual to participate in such program; and

[(C) that, in the case of an individual who fails without good cause to comply with requirements imposed upon him under this paragraph, the sanctions imposed by paragraph (19)(F) shall be applied in the same manner as if the individual had made a refusal of the type which would cause the provisions of such paragraph (19)(F) to be applied (except that the State may at its option, for purposes of this paragraph, reduce the period for which such sanctions would otherwise be in effect);]

* * * * * * *

[(37) provide that, in any case where a family has ceased to receive aid under the plan because (by reason of paragraph (8)(B)(ii)(II)) the provisions of paragraph (8)(A)(iv) no longer apply, such family shall be considered for purposes of title XIX to be receiving aid to families with dependent children under such plan for a period of 9 months after the last month for which the family actually received such aid; and the State may as its option extend such period by an additional period of up to 6 months in the case of a family that would be eligible during such additional period to receive aid under the plan (without regard to this paragraph) if such (8)(A)(iv) applied;]

(37) provide that if any family ceases to receive family support supplements under the State plan as of the close of any month (and at that time has earnings), such family shall be treated for purposes of title XIX as continuing to receive such supplements for a period of 6 months after the close of such month; except that (A) this paragraph shall not apply if the family's eligibility for such supplements was terminated because of fraud or the imposition of a sanction, (B) if at any time during such 6-month period—

(i) the family ceases to include a child who is (or would if need be) a dependent child, or

(ii) any member of the family terminates his or her employment or reduces his or her earned income without good cause or refuses without good cause to accept employment, or fails to cooperate with the State in establishing paternity or obtaining support or other payments as required by paragraph (26)(B),

such period shall automatically end (as of the close of the last month in which the family included such a child or at the close of the month in which such termination, refusal, or fail-

ure occurred, and (C) such 6-month period shall include, and not be in addition to, any period during which the family remains eligible for assistance under such title XIX (after becoming ineligible for family support supplements) under section 1902(e);

(38) provide that in making the determination under paragraph (7) with respect to a dependent child and applying paragraph (8), the State agency shall (except as otherwise provided in this part) include)

(A) any parent of such child, and

(B) any brother or sister of such child, if such brother or sister meets the conditions described in clauses (1) and (2) of section 406(a) or in section 407(a) (if such section is applicable to the State),

if such parent, brother, or sister is living in the same home as the dependent child, and any income of or available for such parent, brother, or sister shall be included in making such determination and applying such paragraph with respect to the family (notwithstanding section 205(j), in the case of benefits provided under title II); **[**and**]**

[(39) provide that in making the determinations under paragraph (7) with respect to a dependent child whose parent or legal guardian is under the age of 18, the State agency shall (except as otherwise provided in this part) include any income of such minor's own parents or legal guardians who are living in the same home as such minor and dependent child, to the same extent that income of a stepparent is included under paragraph (31).**]**

(39) provide that the State will not reduce the level of the aid payable under the State plan to families of any size or composition below the level in effect for such families on June 10, 1987 (or below a level scheduled to become effective for such families after that date (and on or before September 30, 1988) under a State law enacted on or before June 10, 1987); and

(40) provide that payments of family support supplements will be made under the plan with respect to dependent children of unemployed parents, in accordance with section 407.

* * * * * * *

[(d)(1) For purposes of paragraphs (7) and (8) of subsection (a), any refund of Federal income taxes made by reason of section 32 of the Internal Revenue of 1954 (relating to earned income credit) and any payment made by an employer under section 3507 of such Code (relating to advance payment of earned income credit) shall be considered earned income.

[(2) In any case in which such advance payments for a taxable year made by all employers to an individual under section 3507 of such Code exceed the amount of such individual's earned income credit allowable under section 32 of such Code for such year, so that such individual is liable under section 32(g) of such Code for a tax equal to such excess, such individual's benefit amount must be appropriately adjusted so as to provide payment to such individual of an amount equal to the amount of the benefits lost by such individual on account of such excess advance payments.]

* * * * * * *

(g)(1)(A) Each State shall, for each family, either—

(i) provide day care for each dependent child, and incapacitated individual living in the same home as a dependent child, receiving family support supplements under the State plan and requiring such care, or

(ii) reimburse the caretaker relative in the family (in advance whenever possible) for the costs of such care incurred in any month,

if and to the extent that such care (or reimbursement for the costs thereof) is determined by the State agency to be (I) directly related to an individual's participation in work, education, or training (including participation as a mandatory participant or volunteer in the program under section 416, and including participation in other work, education, or training by individuals who are not participating in such program by reason of exemptions granted under any of the subparagraphs in section 416(c)(4)), (II) reasonably necessary for such participation, and (III) cost-effective. The caretaker relative of any dependent child or incapacitated individual whose family ceases to be eligible for family support supplements under the State plan as of the close of any month (if at that time the family has earnings) shall continue to be entitled to reimbursement for the costs of any day care (subject to the applicable dollar limitations specified in the succeeding sentence) which is determined by the State agency to be reasonably necessary for his or her employment, for a period of 6 months after the close of such month, under a sliding scale formula established by the State which shall be based on the family's ability to pay (and under which such applicable dollar limitations are appropriately reduced to reflect such ability). Amounts expended under the preceding provisions of this subsection (in providing day care directly, or in making reimbursement for the costs of such care), to the extent that such amounts do not exceed $175 per month for any child age 2 or over or $200 per month for any infant under age 2, shall be considered, for purposes of section 403(a)(1) and (2), to be amounts expended as aid in the form of family support supplements under the State plan (and Federal contributions may be made under section 403(a) with respect to amounts so expended only to that extent).

(B) No amount shall be expended under subparagraph (A) for any child care services involving more than 2 children at the same time unless such services meet applicable standards of State and local law, and in any event unless such services meet standards, established by the State, which at a minimum ensure basic health and safety protections.

(C) Reimbursement for the costs of day care under subparagraph (A)(ii) may be accomplished through contracts or certificates, or through the disregarding of such costs from the earned income of the family (within the applicable dollar limitations set forth in subparagraph (A)) as though such disregarding were specifically provided for in section 402(a)(8) immediately after the disregards provided for in clauses (ii) and (iii) thereof (and were applied to both appli-

cants and recipients but only with respect to earned income not otherwise disregarded under the preceding provisions of that section). No change made by a State in its method of reimbursing day care costs may have the effect of disadvantaging individuals or families receiving aid under the State plan on the date of the enactment of this subsection, by reducing their income or otherwise.

(D) For purposes of the first sentence of subparagraph (A), day care shall be considered "cost-effective" only if it is furnished within the applicable dollar limitations set forth in the third sentence of such subparagraph; but nothing in this subsection shall be construed as preventing any State from making reimbursement from its own funds (without any Federal contribution under section 403(a)) for day care which is not furnished within such limitations.

(2)(A) In the case of an individual participating in the program of education, training, and work under section 416 (including participation in the form of job search under subsection (k) thereof), the State (in addition to providing day care or reimbursing the costs thereof as provided in paragraph (1)) shall reimburse the participant (in advance whenever possible) for transportation and other work-related costs incurred in any month, in an amount (subject to subparagraph (B)) not exceeding the dollar amount then in effect (for purposes of disregarding earned income) under section 402(a)(8)(A)(ii).

(B) In the case of a participant who must travel 100 miles or more to reach his or her education or training site under the program, the reimbursement for transportation and other work-related costs under subparagraph (A) may be in an amount up to twice the dollar amount referred to in that subparagraph.

(3) The Federal contribution with respect to day care, transportation, and other work-related costs incurred by a State under this subsection shall be determined under section 403(a)(1) or (2) as though such costs had been incurred in paying aid in the form of family support supplements, rather than under section 403(a)(3) or (4).

(4) The value of any day care provided (or any amount received as reimbursement for day care costs incurred) under paragraph (1)—

(A) shall not be treated as income of any person for purposes of any other Federal or federally-supported program which bases eligibility for or the amount of benefits upon need, and

(B) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

(h)(1) Any State may at its option increase the dollar amount under clause (ii) or (iv) of subsection (a)(8)(A) or the percentage figure under clause (iii) of such subsection (or increase both of such dollar amounts, or either or both of such dollar amounts as well as such percentage figure), effective on the first day of any calendar quarter beginning on or after the effective date of this subsection, so long as such increase (or the combination of such increases) does not have the effect of permitting a family to be eligible for aid under the State plan for any month in violation of subsection (a)(18).

(2) Whenever benefit amounts under title II are increased by any percentage effective with any month as a result of a determination made under section 215(i), the dollar amount under subsection

(a)(8)(A)(ii), as specified therein or as previously increased under paragraph (1) of this subsection or this paragraph, shall be increased by the same percentage (and rounded, when not a multiple of $1, to the next lower such multiple), effective on the first day of the following month; but no increase under this paragraph shall be effective to the extent that it would permit a family to be eligible for aid under the State plan for any month in violation of subsection (a)(18).

(i) Each State shall annually re-evaluate its need standard and its payment standard under the family support program, giving particular attention to whether or not the amount which it has assumed to be necessary for shelter, in setting such standards, is adequate in the light of current housing costs in the State and in different regions within the State. The result of each such re-evaluation shall be reported by the State to the Secretary, to the Congress, and to the public.

(j)(1) If—

(A) any individual who is a recipient of family support supplements under the State plan has been medically determined to be a drug addict or an alcoholic and is enrolled in a program for the treatment of his or her drug addiction or alcoholism, and

(B) the institution, facility, or other entity responsible for providing such treatment notifies the State agency that such individual (prior to the satisfactory completion of the treatment) has terminated his or her enrollment or otherwise ceased to participate in such program or to comply with its terms, conditions, and requirements,

then (notwithstanding any other provision of this title) the needs of such individual shall not be taken into account in making the determination with respect to his or her family under subsection (a)(7) until such individual is again enrolled in such a program or a medical determination is made (and notification thereof communicated to the State agency) that he or she is no longer a drug addict or alcoholic.

(2) Each State agency shall establish such procedures and take such other actions as may be necessary or appropriate to encourage and facilitate the making (by the institutions, facilities, and other entities involved) of the notificiations described in paragraph (1).

PAYMENT TO STATES

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount *(subject to subsection (k))* equal to the sum of the following proportions of the total amounts expended during such quarter as [aid to families with dependent children] *aid in the form of family support supplements* under the State plan—

(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of family support supplements* for such month (which total number, for purposes of this subsection, means (i) the number of individuals with respect to whom such aid in the form of money payments is paid for such month, plus (ii) the number of individuals, not counted under clause (i), with respect to whom payments described in section 406(b)(2) are made in such month and included as expenditures for purposes of this paragraph or paragraph (2)); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (a), not counting so much of any expenditure with respect to any month as exceeds (i) the product of $32 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of family support supplements* (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of family support supplements* in the form of foster care for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount *(subject to subsection (k))* equal to one-half of the total of the sums expended during such quarter as [aid to families with dependent children] *aid in the form of family support supplements* under the State plan, not counting so much of any expenditure with respect to any month as exceeds $18 multiplied by the total number of recipients of such aid for such month; and

(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan—

(A) 100 percent of so much of such expenditures as are for the costs of the implementation and operation of the immigration status verification system described in section 1137(d),

(B) 90 per centum of so much of the sums expended during such quarter as are attributable to the planning, design, development, or installation of such statewide mechanized claims processing and information retrieval systems as (i) meet the conditions of section 402(a)(30), and (ii) the Secretary determines are likely to provide more efficient, economical, and effective administration of the plan and to be compatible with the claims processing and information retrieval systems utilized in the administration of State plans approved under title XIX, and State programs with respect to which there is Federal financial participation under title XX, [and]

(C) one-half of so much of such expenditures as are incurred in connection with the administration of the education, training, and work program under section 416, and

[(C)]*(D)* one-half of the remainder of such expenditures [(including as expenditures under this subparagraph the value of any services furnished, and the amount of any payments made (to cover expenses incurred by individuals under a program of employment search), under section 402(a)(35)(B)),],

except that no payment shall be made with respect to amounts expended in connection with the provisions of any service described in section 2002(a) of this Act [other than services furnished under section 402(a)(35)(B) (as described in the parenthetical phrase in subparagraph (C)), and other than services the provision of which is required by section 402(a)(19) to be included in the plan of the State, or which is a service provided in connection with a community work experience program or work supplementation program under section 409 or 414; and] *other than services furnished under section 416 or under section 402(g); and*

(4) in the case of any State, an amount equal to 65 percent of the total amount expended during such quarter for education and training under the program established pursuant to section 416; and

(5) in the case of any State, an amount equal to 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children.

No payment shall be made under this subsection with respect to amounts paid to supplement or otherwise increase the amount of [aid to families with dependent children] *aid in the form of family support supplements* found payable in accordance with section 402(a)(13) if such amount is determined to have been paid by the State in recognition of the current or anticipated needs of a family (other than with respect to the first or first and second months of eligibility), but any such amount, if determined to have been paid by the State in recognition of the difference between the current or anticipated needs of a family for a month based upon actual income or other relevant circumstances for such month, and the needs of such family for such month based upon income and other relevant circumstances as retrospectively determined under section 402(a)(13)(A)(ii) shall not be considered income within the meaning of section 402(a)(13) for the purpose of determining the amount of aid in the succeeding months.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records

showing the number of dependent children in the State, and (C) such other investigation as the Secretary many find necessary.

(2) The Secretary of Health and Human Services shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary of Health and Human Services, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled as determined by the Secretary of Health and Human Services, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to [aid to familes with dependent children] *aid in the form of family support supplements* furnished under the State plan, and (C) reduced by such amount as is necessary to provide the "appropriate reimbursement of the Federal Government" that the State is required to make under section 457 out of that portion of child support collections retained by it pursuant to such section; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health and Human Services for such prior quarter.

(3) The Secretary of the Treasury shall thereupon through the Fiscal Service of the Department of the Treasury and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Health and Human Services, the amount so certified.

[(c) Notwithstanding any other provision of this Act, the Federal share of assistance payments under this part shall be reduced with respect to any State for any fiscal year after June 30, 1973, by one percentage point for each percentage point by which the number of individuals certified, under the program of such State established pursuant to section 402(a)(19)(G), to the local employment office of the State as being ready for employment or training under section 432(b) (1), (2), or (3), is less than 15 per centum of the average number of individuals in such State who, during such year, are required to be registered pursuant to section 402(a)(19)(A).

[(d)(1) Notwithstanding any provision of subsection (a)(3), the applicable rate under such subsection shall be 90 per centum with respect to social and supportive services provided pursuant to section 402(a)(19)(G). In determining the amount of the expenditures made under a State plan for any quarter with respect to social and supportive services pursuant to section 402(a)(19)(G), there shall be included the fair and reasonable value of goods and services furnished in kind from the State or any political subdivision thereof.

[(2) Of the sums authorized by section 401 to be appropriated for the fiscal year ending June 30, 1973, not more than $750,000,000 shall be appropriated to the Secretary for payments with respect to services to which paragraph (1) applies.]

(e) In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this

part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(g), and 417 are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not.

Notwithstanding any other provision of this section, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters in fiscal years beginning after June 30, 1973, be reduced by 1 per centum (calculated without regard to any reduction under section 403(g)) of such amount if such State—

(1) in the immediately preceding fiscal year failed to carry out the provisions of section 402(a)(15)(B) as pertain to requiring the offering and arrangement for provision of family planning services; or

(2) in the immediately preceding fiscal year (but, in the case of the fiscal year beginning July 1, 1972, only considering the third and fourth quarters thereof), failed to carry out the provisions of section 402(a)(15)(B) of the Social Security Act with respect to any individual who, within such period or periods as the Secretary may prescribe, has been an applicant for or recipient of [aid to families with dependent children] *aid in the form of family support supplements* under the plan of the State approved under this part.

* * * * * * *

(k)(1)(A) In the case of any State which, effective on or after October 1, 1988, increases the level of the family support supplements which are payable under its approved State plan, the percentage of the total amount expended during any quarter as family support supplements under such plan which would otherwise be payable to the State (without regard to this subsection) as the Federal share of such expenditures under subsection (a)(1) or (2) (with or without the application of section 1118), to the extent that the total amount so expended is attributable to such increase, shall be equal to the percentage of the Federal share of the expenses attributable to such increase, as it would be determined by the application of subsection (a)(1) or (2) without regard to this subsection, increased by 25 percent (but not to more than 90 percent).

(B) If the increase involved becomes effective on the first day of a quarter, subparagraph (A) shall apply with respect to expenditures made on and after such first day. If the increase becomes effective at any other time during a quarter, subparagraph (A) shall apply only with respect to expenditures made on and after the first day of the following quarter.

(C) The resulting net Federal share of the total amounts expended during such quarter as family support supplements under the State

plan (including both the expenditures to which this paragraph applies and the expenditures to which it does not) shall be determined as provided in paragraph (2).

(2)(A) Whenever a State (effective on or after October 1, 1988) increases the level of the family support supplements which are payable under its approved State plan, the Secretary shall determine with respect to each particular size of family separately specified under the plan (assuming for this purpose that no family has any other income)—

> *(i) the level of such supplements (expressed as a monthly dollar amount) as of September 30, 1988;*
>
> *(ii) the level of such supplements (expressed as a monthly dollar amount) immediately after such increase becomes effective;*
>
> *(iii) the dollar amount of the increase (if any) in such level; and*
>
> *(iv) the percentage of the State's total FSP caseload (i.e., of the total number of families receiving family support supplements under the plan) which is represented by families of that particular size.*

(B) The Federal share of the expenditures which are made as family support supplements under the State plan with respect to families of any particular size during any quarter commencing with the later of the quarter beginning October 1, 1988, or the first quarter in which the increase is effective, and which (if any) are attributable to such increase, shall be a percentage equal to—

> *(i) the sum of (I) the level determined under subparagraph (A)(i) for such families multiplied by the net Federal percentage determined under subsection (a) (1) or (2) or section 1118 without regard to this subsection, and (II) the amount of the increase (if any) determined under subparagraph (A)(iii) for such families multiplied by the percentage of the Federal share of the expenditures attributable to such increase as determined under paragraph (a)(A),*

divided by—

> *(ii) the level determined under subparagraph (A)(ii),*

with the resulting quotient multiplied by—

> *(iii) the percentage of the State's total FSP caseload which is represented by families of that particular size as determined under subparagraph (A)(iv).*

(C) The net Federal share of the total amounts expended during the quarter involved as family support supplements under the State's approved plan for purposes of subsection (a) (1) or (2) shall be a percentage equal to the sum of the percentages determined for all family sizes by the application of clauses (i), (ii), and (iii) of subparagraph (B) to families of each such size separately; and the percentage of such net Federal share as so determined shall be in lieu of the percentage which would otherwise be applied under subsection (a) (1) or (2) or under section 1118.

USE OF PAYMENTS FOR BENEFIT OF CHILD

SEC. 405. Whenever the State agency has reason to believe that any payments of [aid to families with dependent children] *aid in* *the form of family support supplements* made with respect to a child are not being or may not be used in the best interests of the child, the State agency may provide for such counseling and guidance services with respect to the use of such payments and the management of other funds by the relative receiving such payments as it deems advisable in order to assure use of such payments in the best interests of such child, and may provide for advising such relative that continued failure to so use such payments will result in substitution therefor or protective payments as provided under section 406(b)(2), or in seeking appointment of a guardian or legal representative as provided in section 1111, or in the imposition of criminal or civil penalties authorized under State law if it is determined by a court of competent jurisdiction that such relative is not using or has not used for the benefit of the child any such payments made for that purpose; and the provision of such services or advise by the State agency (or the taking of the action specified in such advice) shall not serve as a basis for withholding funds from such State under section 404 and shall not prevent such payments with respect to such child from being considered **[**aid to families with dependent children**]** *aid in the form of family support supplements.*

DEFINITIONS

SEC. 406. When used in this part—

(a) * * *

(b) The term "**[**aid to families with dependent children**]**" *family support supplements* means money payments with respect to a dependent child or dependent children, or, at the option of the State, a pregnant woman but only if it has been medically verified that the child is expected to be born in the month such payments are made or within the three-month period following such month of payment, and who, if such child had been born and was living with her in the month of payment, would be eligible for **[**aid to families with dependent children**]** *aid in the form of family support supplements* and includes (1) money payments to meet the needs of the relative with whom any dependent child is living (and the spouse of such relative if living with him and if such relative is the child's parent and the child is a dependent child by reason of the physical or mental incapacity of a parent or is a dependent child under section 407), and (2) payments with respect to any dependent child (including payments to meet the needs of the relative, and the relative's spouse, with whom such child is living, and the needs of any other individual living in the same home if such needs are taken into account in making the determination under section 402(a)(7)) which do not meet the preceding requirements of this subsection, but which would meet such requirements except that such payments are made to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such child or relative, or are made on behalf of such child or relative directly to a person furnishing food, living accommodations, or other goods, services, or items to or for such child, relative, or other individual, but only with respect to a State whose State plan approved under section 402 includes provision for—

(A) determination by the State agency that the relative of the child with respect to whom such payments are made has such inability to manage funds that making payments to him would be contrary to the welfare of the child and, therefore, it is necessary to provide such aid with respect to such child and relative through payments described in this clause (2);

* * * * * * *

(f) Notwithstanding the provisions of subsection (b), the term "[aid to families with dependent children] *aid in the form of family support supplements*" does not mean payments with respect to a parent (or other individual whose needs such State determines should be considered in determining the need of the child or relative claiming aid under the plan of such State approved under this part) of a child who fails to cooperate with any agency or official of the State in obtaining such support payments for such child. Nothing in this subsection shall be construed to make an otherwise eligible child inelgible for protective payments because of the failure of such parent (or such other individual to so cooperate.

(g) Notwithstanding the provisions of subsection (b), the term "[aid to families with dependent children]" does not mean any—

(1) amount paid to meet the needs of an unborn child; or

(2) amount paid (or by which a payment is increased) to meet the needs of a woman occasioned by or resulting from her pregnancy, unless, as has been medically verified, the woman's child is expected to be born in the month such payments are made (or increased) or within the three-month period following such month of payment.

(h) Each dependent child, and each relative with whom such a child is living (including the spouse of such relative as described in subsection (b)), who becomes ineligible for [aid to families with dependent children] *aid in the form of family support supplements as* a result (wholly or partly) of the collection or increased collection of child or spousal support under part D, and who has received such aid in at least three of the six months immediately preceding the month in which such ineligibility begins, shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of family support supplements.* for purposes of title XIX for an additional four calendar months beginning with the month in which such ineligibility begins.

DEPENDENT CHILDREN OF UNEMPLOYED PARENT

SEC. 407. (a) * * *

[(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

[(1) requires]

(b) In providing for the payment of family support supplements under the State's plan approved under section 402 in the case of families which include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(40), the State's plan—

(1) shall require the payment of [aid to families with dependent children] *aid in the form of family support supplements* with respect to a dependent child as defined in subsection (a) when—

(A) * * *

* * * * * * *

(c)(i) such parent has 6 or more quarters of work (as defined in subsection (d)(1)), *including 2 or more quarters of work as defined in subsection (d)(1)(A),* in any 13-calendar-quarter period ending within one year prior to the application for such aid or (ii) such parent received unemployment compensation under an unemployment compensation law of a State or of the United States, or such parent was qualified (within the meaning of subsection (d)(3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

(2) [provides—] *shall provide—*

(A) for such assurances as will satisfy the Secretary that unemployed parents of dependent children as defined in subsection (a) [will be certified to the Secretary of Labor as provided in section 402(a)(19) within 30 days] *will participate or apply for participation in the national education, training, and work program under section 416 within 30 days* after receipt of aid with respect to such children;

* * * * * * *

(C) for the denial of [aid to families with dependent children] *aid in the form of family support supplements* to any child or relative specified in subsection (a)—

(i) if and for so long as such child's parent described in paragraph (1)(A), unless exempt under section 402(a)(19)(A) [, is not currently registered pursuant to such section for the work incentive program established under part C of this title, or, if he is exempt under such section by reason of clause (iii) thereof or no such program in which he can effectively participate has been established or provided under section 432(a), is not registered] *is not currently participating in the national education, training, and work program under section 416, unless such parent is exempt under section 416(c)(4), or, if such parent is exempt under such section 416(c)(4) and has not volunteered for such participation as described in section 416(c)(2), is not registered* with the public employment offices in the State, and

(ii) with respect to any week for which such child's parent described in paragraph (1)(A) qualifies for unemployment compensation under an unemployment compensation law of a State or of the United States, but refuses to apply for or accept such unemployment compensation; and

(D) for the reduction of the [aid to families with dependent children] *aid in the form of family support supplements* otherwise payable to any child or relative specified in subsection (a) by the amount of any unemployment compensation that such child's parent described in paragraph (1)(A) receives under an unemployment compensation law of a State or of the United States.

(c) Notwithstanding any other provisions of this section, expenditures pursuant to this section shall be excluded from [aid to families with dependent children] *aid in the form of family support supplements* (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in subparagraph (A) of subsection (b)(1), or (ii) for any period prior to the time when the parent satisfies subparagraph (B) of such subsection, and (B) if, and for as long as, no action is taken (after the 30-day period referred to in subparagraph (A) of subsection (b)(2)), under the program therein specified, [to certify such parent to the Secretary of Labor pursuant to section 402(a)(19).] *to participate in the national education, training, and work program under section 416.*

(d) For purposes of this section—

(1) the term "quarter of work" with respect to any individual means a calendar quarter *(A)* in which such individual received earned income of not less than $50 (or which is a "quarter of coverage" as defined in section 213(a)(2)), or in which such individual participated in a community work experience program [under section 409, or the work incentive program established under part C;] *under section 416(j), or (B) if the State plan so provides (but subject to the last sentence of this subsection), in which such individual (i) was in regular full-time attendance as a student at an elementary or secondary school, (ii) was in regular full-time attendance in a course of vocational or technical training designed to fit him or her for gainful employment, or (iii) participated in an education or training program established under the Job Training Partnership Act;*

* * * * * * *

(4) the phrase "whichever of such child's parents is the principal earner", in the case of any child, means whichever parent, in a home in which both parents of such child are living, earned the greater amount of income in the 24-month period the last month of which immediately precedes the month in which an application is filed for aid under this part on the basis of the unemployment of a parent, for each consecutive month for which the family receives such aid on that basis.

No individual shall be credited during his or her lifetime (for purposes of subsection (b)(1)(C)(i)) with more than 4 "quarters of work" based on attendance in a course or courses of vocational or technical training as described in paragraph (1)(B)(ii) of this subsection.

[(e) The Secretary and the Secretary of Labor shall jointly enter into an agreement with each State which is able and willing to do so for the purpose of (1) simplifying the procedures to be followed by unemployed parents and other unemployed persons in such

State in registering pursuant to section 402(a)(19) for the work incentive program established by part C of this title and in registering with public employment offices (under this section and otherwise) or in connection with applications for unemployment compensation, by reducing the number of locations or agencies where such persons must go in order to register for such programs and in connection with such applications, and (2) providing where possible for a single registration satisfying this section and the requirements of both the work incentive program and the applicable unemployment compensation laws.]

[COMMUNITY WORK EXPERIENCE PROGRAMS

[SEC. 409. (a)(1) Any State which chooses to do so may establish a community work experience program in accordance with this section. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and mental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be utilized in making appropriate work experience assignments. A community work experience program established under this section shall provide—

[(A) appropriate standards for health, safety, and other conditions applicable to the performance of work;

[(B) that the program does not result in displacement of persond currently employed, or the filling of established unfilled position vacancies;

[(C) reasonable conditions of work, taking into account the geographic region, the residence of the participants, and the proficiency of the participants;

[(D) that participants will not be required, without their consent, to travel an unreasonable distance from their homes or remain away from their homes overnight;

[(E) that the maximum number of hours in any month that a participant may be required to work is that number which equals the amount of aid payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal or the applicable State minimum wage; and

[(F) that (i) except as provided in clause (ii) provision will be made for transportation and other costs, not in excess of an amount established by the Secretary, reasonably necessary and directly related to participation in the program, and (ii) to the extent that the State is unable to provide for the costs involved through the furnishing of services directly to the individuals participating in the program, participants who are recipients of aid under the State's plan approved under section 402 will instead be reimbursed for transportation costs directly related to their participation in the program (in amounts equal to the cost of transportation by the most appropriate means as determined by the State agency), and for day care expenses directly attributable to such participation (in amounts determined by the State agency to be reasonable, necessary, and cost-effective but not in excess of the comparable maximum day care deduction allowed under section 402(a)(8)(A)(iii) for recipients of aid under the plan generally); and amounts paid as reimbursement to participants under clause (i) or (ii) shall be considered, for purposes of section 403(a), to be expenditures made for the proper and efficient administration of the State's plan approved under section 402.

[(2) Nothing contained in this section shall be construed as authorizing the payment of aid under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this section.

[(3) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part C) a community work experience program in accordance with this section.

[(4)(A) Participants in community work experience programs under this section may, subject to subparagraph (B), perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

[(B) The State agency shall porovide appropriate workers' compensation and tort claims protection to each participant performing work for a Federal office or agency pursuant to subparagraph (A) on the same basis as such compensation and protection are provided to other participants in community work experience programs in the State.

[(b)(1) Each recipient of aid under the plan who is registered under section 402(a)(19) shall participate, upon referral by the State agency, in a community work experience program unless such recipient is currently employed for no fewer than 80 hours a month and is earning an amount not less than the applicable minimum wage for such employment.

[(2) In addition to an individual described in paragraph (1), the State agency may also refer for participation in programs under this section, an individual who would be required to register under section 402(a)(19)(A) but for the exception contained in clause (v) of such section (but only if the child for whom the parent or relative is caring is not under the age of three and child care is available for such child), or in clause (iii) of such section.

[(3) The chief executive officer of the State shall provide coordination between a community work experience program operated pursuant to this section, any program of employment search under section 402(a)(35), and the work incentive program operated pursuant to part C so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid under the State plan on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The chief executive officer of the State may provide that part-time participation in more than one such program may be required where appropriate.

[(c) The provisions of section 402(a)(19)(F) shall apply to any individual referred to a community work experience program who fails to participate in such program in the same manner as they apply to an individual to whom section 402(a)(19) applies.

[(d) In the case of any State which makes expenditures in the form described in subsection (a) under its State plan approved under section 402, expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3), may not include the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in subsection (a) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.]

* * * * * * *

[WORK SUPPLEMENTATION PROGRAM

[SEC. 414. (a) It is the purpose of this section to allow a State to institute a work supplementation program under which such State, to the extent such State determines to be appropriate, may make jobs available, on a voluntary basis, as an alternative to aid otherwise provided under the State plan approved under this part.

[(b)(1) Notwithstanding the provisions of section 406 or any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this section.

[(2) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part C) a work supplementation program in accordance with this section.

[(3) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this section.

[(4) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this section may provide that the needs standards in effect in those areas of the State in which such program is in operation may be different from the needs standards in effect in the areas in which such program is not in operation, and such State may provide that the needs standards for categories of recipients of aid may vary among such categories as the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

[(5) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of aid paid under the plan to different categories of recipients (as determined under paragraph (4)) in order to offset increases in benefits from needs related programs (other than the State plan approved under this part) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

[(6) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this section (A) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program and (B) during one or more of the first nine months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of section 402(a)(8)(A)(iv) without regard to the provisions of (B)(ii)(II) of such section.

[(c)(1) A work supplementation program operated by a State under this section shall provide that any individual who is an eligible individual (as determined under paragraph (2)) may choose to take a supplemented job (as defined in paragraph (3)) to the extent supplemented jobs are available under the program. Payments by the State to individuals or to employers under the program shall be expenditures incurred by the State for aid to families with dependent children except as limited by subsection (d).

[(2) For purposes of this section, an eligible individual is an individual who is in a category which the State determines shall be eligible to participate in the work supplementation program, and who would, at the time of his placement in such job, be eligible for assistance under the State plan if such State did not have a work supplementation program in effect and had not altered its State plan accordingly, as such State plan was in effect in May 1981, or as modified thereafter as required by Federal law.

[(3) For purposes of this section, a supplemented job is—

[(A) a job position provided to an eligible individual by the State or local agency administering the State plan under this part; or

[(B) a job position provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job position under the program as such State determines to be appropriate, but acceptance of any such position shall be voluntary.

[(d) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program established in such state under this section had received the maximum amount of aid payments under the State plan to such a family with no income (without regard to adjustments under subsection (b) of this section) for a period of months equal to the lesser of (1) nine months, or (2) the number of months in which such individual was employed in such program.

[(e)(1) Nothing in this section shall be construed as requiring a State or local agency administering the State plan to provide employee status to any eligible individual to whom it provides a job position under the work supplemental program, or with respect to whom it provides all or part of the wages paid to such individual by another entity under such program.

[(2) Nothing in this section shall be construed as requiring such State or local agency to provide that eligible individuals filling job positions provided by other entities under such progam be provided employee status by such entity during the first 13 weeks during which they fill such position.

[(3) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

[(f) Any work supplementation program operated by a State shall be administered by—

[(1) the agency designated to administer or supervise the administration of the State plan under section 402(a)(3); or

[(2) the agency (if any) designated to adminster the community work experience program under section 409.

[(g) Any State which chooses to operate a work supplementation program under this section may choose to provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for aid under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving aid under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

[(h) No individual receiving a grant under the State plan shall be excused, by reason of the fact that such State has a work supplementation program, from any requirement of this part or part C relating to work requirements (except during any period in which such individual is employed under such work supplementation program).]

* * * * * * *

NATIONAL EDUCATION, TRAINING, AND WORK PROGRAM

SEC. 416. (a) PURPOSE.—It is the purpose of this section to assure that needy children and parents obtain the education, training, and employment which will help them avoid long-term welfare dependence.

(b) ESTABLISHMENT AND OPERATION OF PROGRAMS.—(1) As a condition of its participation in the Family Support Program under this part, each State shall establish and operate an education, training, and work program which has been approved by the Secretary as meeting all of the requirements of this section, and shall make the program available in each political subdivision of the State where it is feasible to do so after taking into account the number of prospective participants, the local economy, and other relevant factors. The Secretary's approval shall be based on a plan setting forth and describing the program and estimating the number of persons to be served, which shall be submitted by the State on or before the effective date of this section and which, if the State has determined that the program is not to be available in all of its political subdivisions, shall include appropriate justification for that determination.

(2) Each State education, training, and work program under this section shall include private sector and local government involvement in planning and program design to assure that participants are trained for jobs that will actually be available in the community.

(3) The State agency which administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the operation and administration of the State's education, training, and work program under this section.

(4) Federal funds made available to a State for purposes of the program under this section shall be used to augment and expand existing services and activities which promote the purpose of this section, and shall not in whole or in part replace or supplant any State or local funds already being expended for that purpose.

(c) PARTICIPATION.—(1) Each adult recipient of family support supplements in the State who is not exempt under paragraph (4) shall be required to participate in the program under this section to the extent that the program is available in the political subdivision where he or she resides and State resources otherwise permit. The State agency shall take such action as may be necessary to ensure that each recipient of such supplements (including each such recipient who is exempt under paragraph (4)) is notified and fully informed concerning the education, training, and work opportunities offered under the program.

(2) The State may require participation in the program under this section by recipients who are not exempt under paragraph (4) (hereinafter referred to as 'mandatory participants'), and shall also extend the opportunity to participate in the program to recipients who are exempt under paragraph (4) (hereinafter referred to as 'volunteers'). The State shall actively encourage volunteers to participate in the program, and shall from time to time furnish to the Secretary appropriate assurances that it is doing so.

(3) With the objective of making the most effective possible use of the State's resources and identifying the families which most urgently need the services and activities provided under the program under this section, the program shall establish (and the plan submitted under subsection (b)(1) shall designate) specific target populations including—

(A) families with a teenage parent, and families with a parent who was under 18 years of age when the first child was born;

(B) families that have been receiving aid to families with dependent children or family support supplements continuously for two or more years; and

(C) families with one or more children under 6 years of age. For purposes of subparagraph (B), a family that has received aid to families with dependent children or family support supplements for at least 20 months out of any period of 24 consecutive months shall be treated as having received such aid or supplements continuously during that period.

(4) The following are exempt from participation in the program under this section:

(A) an individual who is ill, incapacitated, or 60 years of age or over;

(B) an individual who is needed in the home because of the illness or incapacity of another family member;

(C) the parent or other caretaker relative of a child under 3 years of age (subject to the last sentence of this paragraph); except that—

(i) the State may not require participation in the program by a parent or other caretaker relative of a child who has attained 3 years of age but not 6 years of age unless day care is guaranteed to such relative and his or her participation is on a part-time basis,

(ii) the State shall permit and encourage participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and other caretaker relatives of children who have not attained 3 years of age, where day care is guaranteed to the relative involved and his or her participation is on a part-time basis, and

(iii) the Secretary may permit the State at its option to require participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and other caretaker relatives whose youngest child has attained 1 year of age but not 3 years of age if (I) the State demonstrates to the satisfaction of the Secretary that appropriate infant care for each such child who has not attained 3 years of age can be guaranteed within the applicable dollar limitations set forth in section 402(g)(1), and (II) such relative's participation will be on a part-time basis;

(D) an individual who is working 20 or more hours a week;

(E) a child who is under the age of 16 or attending, full time, an elementary, secondary, or vocational (or technical) school, except in the case of a minor parent with respect to whom the State has exercised its option under section 417(c);

(F) a woman who is pregnant; and

(G) an individual who resides in an area of the State where the program is not available.

In the case of a two-parent family to which section 407 applies, the exemption under subparagraph (C) shall apply only to one parent or other caretaker relative; but the State may at its option make such exemption inapplicable in any such case to both of the parents or relatives involved (and require their participation in the program, at least one of them on a full-time basis) if appropriate child care is guaranteed in accordance with the applicable provisions of such subparagraph.

(5) If the caretaker relative or any dependent child in the family is already attending (in good standing) a school or a course of vocational or technical training designed to lead to employment at the time he or she would otherwise commence participation (as a mandatory participant or volunteer) in the program under this section, such attendance shall constitute satisfactory participation in the educational or training component of the program (by that caretaker or child) so long as it continues; and the family support plan (entered into under subsection (f)) shall so indicate. The costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403 (but this sentence shall not prevent the State from providing or making reimbursement for the cost of day care which is necessary for such attendance in accordance with section 402(g)(1)).

(d) PRIORITIES.—(1) To the extent that the State's resources do not permit the inclusion in the program of all mandatory participants and volunteers, the selection of the families to whom services are to be provided under the program under this section shall be made (subject to subsection (l)(3) and paragraphs (2) and (3) of this subsection) in accordance with the following priorities:

(A) First priority shall be given to volunteers who are described in subparagraphs (A), (B), and (C) of subsection (c)(3).

(B) Second priority shall be given to mandatory participants who are described in subparagraphs (A), (B), and (C) of subsection (c)(3).

(C) Third priority shall be given to mandatory participants (not described in subparagraph (B)) in families with older children.

(D) Fourth priority shall be given to volunteers not described in subparagraph (A).

(E) Fifth priority shall be given to all other mandatory participants.

For purposes of subparagraph (C), a family "with older children" is a family in which the youngest child is within two years of being ineligible for family support supplements because of his or her age.

(2) Among the mandatory participants described in subparagraph (B), (C), or (E) of paragraph (1), first consideration shall be given to those who actively seek to participate in the program.

(3) In the case of a State which provides satisfactory assurances that it will make available the resources to serve all mandatory participants and volunteers within a 3-year period after the effective date of this section, paragraph (1) shall not apply until the expiration of such 3-year period.

(e) ORIENTATION.—The State agency shall provide each applicant for family support supplements with orientation to the program under this section, including full information about the opportunities offered by the program and the obligations of participants in the program (and including descriptions of day care services and available health coverage transition options). Such orientation shall also be available at any time to recipients of family support supplements who did not receive orientation under this subsection at the time of their initial application for such supplements or who need additional information about the program.

(f) ASSESSMENT AND FAMILY SUPPORT PLAN.—The State agency shall make an initial assessment of the educational needs, skills, and employability of each participant in the program under this section, including a review of the family circumstances and of the needs of the children as well as those of the adult caretaker; and on the basis of such assessment the State agency and the participating members of the family (or the adult caretaker with respect to any such participant who is a minor) shall negotiate a family support plan for the family. The family support plan shall set forth and describe all of the activities in which participants in the family will take part under the program, and shall, to the maximum extent possible and consistent with this section, reflect the respective preferences of such participants.

(g) AGENCY-CLIENT AGREEMENT AND CASE MANAGEMENT.—(1) Following the initial assessment and the development of the family support plan with respect to any family under this section, the State agency and the participating members of the family (or the caretaker relative in the family with respect to participants who are minors) shall negotiate and enter into an agency-client agreement including a commitment by the participants (or caretaker) to participate in the program in accordance with the family support plan, specifying in detail the activities in which the participants will take part and the conditions and duration of such participation, and detailing all of the activities which the State will conduct and the services which the State will provide in the course of such participation. The participants (or caretaker) shall be given such assistance as may be required in reviewing and understanding the family support plan and the agency-client agreement.

(2)(A) Each participant shall be guaranteed an opportunity for a fair hearing before the State agency in the event of a dispute involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of his or her participation in the program as specified therein, or any other aspect of such participation which is provided for under this section (including a dispute involving the imposition of sanctions under subsection (l) and the participant's right to conciliation before any such sanction is imposed); and the agency-client agreement shall so provide.

(B) In no case shall any agency-client agreement entered into pursuant to this subsection give rise to a cause of action against the Federal Government or any officer or agency thereof if any party to such agreement fails to observe its terms.

(3) The State agency shall assign to each participating family a member of the agency staff to provide case management services to

the family; and the case manager so assigned shall be responsible for (A) obtaining or brokering, on behalf of the family, any other services which may be needed to assure the family's effective participation, (B) monitoring the progress of the participant, and (C) periodically reviewing and renegotiating the family support plan and the agency-client agreement as appropriate. Amounts expended in providing case management services under this paragraph shall be considered, for purposes of section 403(a)(3)(C), to be expenditures for the proper and efficient administration of the State plan.

(h) RANGE OF SERVICES AND ACTIVITIES.—(1) In carrying out the program under this section, each State must make available a broad range of services and activities calculated to aid in carrying out the purpose of this section, specifically including (subject to the next to last sentence of this paragraph and to paragraph (2))—

(A) high school or equivalent education (combined with training when appropriate) designed specifically for participants who do not have a high school diploma, except in the case of a participant who demonstrates a basic literacy level and whose family support plan identifies a long-term employment goal that does not require a high school diploma;

(B) remedial education to achieve a basic literacy level, instruction in English as a second language, and specialized advanced education in appropriate cases;

(C) group and individual job search as described in subsection (k);

(D) on-the-job training;

(E) skills training;

(F) work supplementation programs as provided in subsection (i);

(G) community work experience programs as provided in subsection (j);

(H) job readiness activities to help prepare participants for work;

(I) counseling, information, and referral for participants experiencing personal and family problems which may be affecting their ability to work;

(J) job development, job placement, and follow-up services to assist participants in securing and retaining employment and advancement as needed; and

(K) other education and training activities as determined by the State and allowed by regulations of the Secretary.

The State must in any event make available the services and activities described in subparagraphs (A), (B), (C), (E), (H), (I), and (J) along with the services and activities described in at least two of the remaining subparagraphs. The provisions of paragraphs (4) through (8) of this subsection shall apply with respect to all of the services and activities described in this subsection.

(2) Any participant lacking a high school diploma shall be offered the opportunity to participate in a program which addresses the education needs identified in the participant's initial assessment, including high school or equivalent education designed specifically for participants who do not have a high school diploma, remedial education to achieve a basic literacy level, or instruction in English as a Second Language; and both the family support plan and the

agency-client agreement shall so provide. Any other services or activities to which such a participant is assigned under the agreement may not be permitted to interfere with his or her participation in an appropriate education program under this paragraph.

(3) Children in participating families who are not themselves participants in the program under this section shall be encouraged to take part in any of the education or training programs available under the program; and the State must also provide to such children additional services specifically designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills (including services provided under a demonstration program conducted pursuant to section 1115(b)(1)). Training activities in which such children participate may not, however, be permitted to interfere with their school attendance.

(4)(A) Each assignment of a participant under the program shall be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of such participant.

(B) Before assigning a participant to any activity under the program, the State shall assure that—

(i) appropriate standards for health, safety, and other conditions are applicable to participation in such activity;

(ii) the conditions of participation in such activity are reasonable, taking into account the geographic region, the residence of the participant, and the proficiency of the participant; and

(iii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight.

(5) No assignment under the program shall result in—

(A) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

(B) the employment or assignment of a participant or the filling of a position when (i) any other individual is on layoff from the same or any equivalent position, or (ii) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created with a participant subsidized under this section; or

(C) any infringement of the promotional opportunities of any currently employed individual.

(6) The wage rate for any position to which a participant is assigned shall be at least equal to the current pay scale for that position, or, if there is no current pay scale for that position, shall be at least equal to the greater of the applicable Federal or State minimum wage; and appropriate worker's compensation and tort claims protection shall be provided to all participants on the same basis as such compensation and protection are provided to other employed individuals in the State.

(7)(A) Each State agency shall establish and maintain a grievance procedure for dealing with complaints about its programs and activities under this section from participants, subgrantees, subcontractors, and other interested persons. Hearings on any complaint

shall be conducted within 30 days after the date on which the complaint is filed and a decision shall be made no later than 60 days after such date.

(B) The decision of the State agency may be appealed to the Secretary under the procedures established in subparagraph (C), and the complaint itself may be appealed to the Secretary under such procedures if the State agency fails to make a decision within the prescribed 60-day period.

(C)(i) Whenever an appeal to the Secretary, alleging that paragraph (4), (5), (6), or (8) has been violated, is made under subparagraph (B), a copy of the complaint shall be transmitted at the same time to the entity alleged to have committed the violation. An opportunity shall be afforded to such entity to review the complaint and to submit a reply to the Secretary within 15 days after receiving the copy of such complaint.

(ii) An official who shall be designated by the Secretary shall review any complaint submitted in accordance with clause (i), and conduct such investigation as may be necessary, to ascertain the accuracy of the information set forth or alleged and to determine whether there is substantial evidence that the affected activities fail to comply with paragraph (4), (5), (6), or (8). Such official shall report his findings and recommendations to the Secretary within 60 days after commencing the review and investigation.

(iii) The Secretary, within 45 days after receiving the report under clause (ii) shall issue a final determination as to whether a violation of paragraph (4), (5), (6), or (8) has occurred.

(iv) The Secretary shall institute proceedings to compel the repayment of any funds determined to have been expended in violation of paragraph (4), (5), (6), or (8).

(D) The existence of the remedies provided by this section shall not preclude any person who alleges that an action of a State agency violates any of the provisions of this section from instituting a civil action or pursuing any other remedy authorized under Federal, State, or local law.

(8) The State may not require a participant in the program to accept a position under the program (as work supplementation or otherwise) if accepting the position would result in a net loss of income (including the insurance value of any health benefits) to the participant or his or her family.

(9) Program activities under this section shall be coordinated in each State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in that State. Appropriate components of the State's plan developed under subsection (b)(1) which relate to job training and workplace preparation shall be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under section 121 of the Job Training Partnership Act. The State plan so developed shall be submitted to the State job training coordinating council not less than 90 days prior to its submission to the Secretary, for the purpose of review and comment by the council on those provisions of the plan related to delivery of job training services and of coordinating activities under this section with similar activities under the Job Training Partnership Act.

(10) Program activities under this section shall be coordinated in each State with existing early childhood education programs in that State.

(11) In carrying out the program under this section, the State may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities made available under the program.

(i) WORK SUPPLEMENTATION PROGRAMS.—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums which would otherwise be payable to participants in the program under this section as family support supplements under the State plan approved under this part and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C)(i) and (ii)), as an alternative to the supplements which would otherwise be so payable to them under such plan.

(2)(A) Notwithstanding any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this subsection.

(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection.

(C) Notwithstanding any other provision of law, a State may adjust the levels of the standards of need under the State plan to the extent the State determines such adjustments to be necessary and appropriate for carrying out a work supplementation program under this subsection.

(D) Notwithstanding any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients of family support supplements may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

(E) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of the family support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part), to the extent the State determines such adjustments to be necessary and appropriate to further the purposes of the work supplementation program.

(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection may reduce or eliminate the amount of earned income to

be disregarded under the State plan to the extent the State determines such a reduction or elimination to be necessary and appropriate to further the purposes of the work supplementation program.

(3)(A) A work supplementation program operated by a State under this subsection shall provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or employers under the program shall be treated as expenditures incurred by the State for family support supplements under the State plan for purposes of section 403(a)(1) and (2), except as limited by paragraph (4).

(B) For purposes of this subsection, an eligible individual is an individual (not exempt under subsection (c)(4)) who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of his or her placement in the job involved, be eligible for family support supplements under the State plan if such State did not have a work supplementation program in effect.

(C) For purposes of this subsection, a supplemented job is—

(i) a job provided to an eligible individual by the State or local agency administering the State plan under this part; or

(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job under the program under this section which such State determines to be appropriate.

(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of such individual for any month, or which would be so payable but for the family's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

(E) Paragraphs (4) through (8) of subsection (h) shall apply with respect to assignments of eligible individuals to supplemented jobs under this subsection.

(4) The amount of the Federal payment to a State under section 403(a) for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under paragraph (1) or (2) of such section if the family of each individual employed in the program had received the maximum amount of family support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program. Expenditures so incurred shall be considered to have been made for family support supplements under the State plan for purposes of section 403(a)(1) and (2).

(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide

employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity, during the first 13 weeks such individual fills that position.

(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

(6) Any State which chooses to operate a work supplementation program under this subsection must provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for family support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving family support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

(j) Community Work Experience Programs.—(1)(A) Any State which chooses to do so may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments. Participants in a program under this subsection may not fill established unfilled position vacancies.

(B) A State which elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either—

(i) works and undergoes training for a period not exceeding 6 months, with the maximum number of hours that any such individual may be required to work and undergo training in any month being a number equal to the amount of the family support supplements payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the current hourly pay scale for the position in which the participant works, or (if there is no current pay scale for that position) by the greater of the applicable Federal or State minimum wage (and the portion of a recipient's benefit for which the State is reimbursed by a child support payment shall not be taken into account in determining

the number of hours that such individual may be required to work); or

(ii) performs unpaid work experience and training (for a combined total of not more than 30 hours a week) for a period not exceeding 3 months.

Paragraphs (4) through (7) of subsection (h) shall apply with respect to the assignment of participants to positions under this section.

(C) Nothing contained in this subsection shall be construed as authorizing the payment of family support supplements under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection.

(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

(F) If at the conclusion of his or her participation in a community work experience program the individual has not become employed, a reassessment with respect to such individual shall be made and a new family support plan developed as provided in subsection (f). In no event shall any individual who has completed the work and training activities described in clause (i) of subparagraph (B), or the work experience and training activities described in clause (ii) of such subparagraph, be required to repeat such activities or be reassigned to perform work or undergo training under either such clause.

(2) The State shall provide coordination between a community work experience program operated pursuant to this subsection, any program of job search under subsection (k), and the other work-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program.

(3) In the case of any State which makes expenditures in the form described in paragraph (1) under its State plan approved under section 402, expenditures for the provision of training under a program under this subsection, for purposes of section 403(a)(4) (and expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3)), may not include the cost of making or acquiring materials or equipment in connection with such training services or the cost of supervision of work or training under such program, and may include only such other costs attributable to such program as are permitted by the Secretary.

(k) JOB SEARCH.—(1) The State agency shall establish and carry out a program of job search for applicants and participants in the program under this section.

(2) Participants in the program under this section shall be encouraged and may be required to take part in job search under this subsection, at such times, for such periods, and in such manner as the State agency determines (in each particular case) will be most effective in serving the special needs and interests of the individual involved and in carrying out the purpose of this section. Job search by an applicant may be required or provided for while his or her application is being processed; and job search by a participant may be required or provided for after his or her initial assessment, after his or her education or training, and at other appropriate times during his or her participation in the program under this section, as may be set forth in the agency-client agreement entered into between such individual and the State agency under subsection (g)(1) and as otherwise provided by the State agency. No requirement imposed by the State under the preceding provisions of this paragraph may be used as a reason for any delay in making a determination of an individual's eligibility for family support supplements or in issuing a payment to or on behalf of any individual who is otherwise eligible for such supplements.

(3) Participation by an individual in job search under this subsection, without participation in one or more other services or activities offered under the program under this section, shall not be sufficient to qualify as participation in the program for any of the purposes of this section after it has continued for 8 weeks or longer without the individual obtaining a job. In any such case (after 8 weeks of job search without obtaining a job) the individual must engage in training, education, or other activities designed to improve his or her prospects for employment; and the family support plan developed under subsection (f) shall so provide.

(l) SANCTIONS.—(1) If any mandatory participant in the program under this section fails without good cause to comply with any requirement imposed with respect to his or her participation in such program—

(A) the needs of such participant (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7), and

(B) if such participant is a member of a family which is eligible for family support supplements by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination.

The sanction described in subparagraph (A) (and the sanction described in subparagraph (B) if applicable) shall continue until the participant's failure to comply ceases; except that such sanction shall continue for a minimum of 3 months if the failure to comply is the participant's second or a subsequent such failure.

(2) No sanction shall be imposed under paragraph (1) until appropriate notice thereof has been provided to the participant involved, and until conciliation efforts have been made to discuss and resolve the participant's failure to comply and to determine whether or not good cause for such failure existed. In any event, when a failure to comply has continued for 3 months the State agency shall promptly

remind the participant in writing of his or her option to end the sanction by terminating such failure.

(3) If a volunteer drops out of the program under this section after having commenced participation in such program, he or she shall thereafter be given no priority under subsection (d).

(m) Regulations.—Within 6 months after the date of the enactment of this section, the Secretary shall issue proposed regulations for the purpose of implementing and carrying out the program under this section, including regulations establishing uniform data collection requirements; and within 9 months after such date the Secretary shall publish final regulations for that purpose. Regulations under this subsection shall be developed by the Secretary in consultation with the responsible State agencies described in subsection (b)(3).

(n) Performance Standards.—(1) Within one year after the date of the enactment of this section, the Secretary, in consultation with the Congress, the Secretary of Labor, the States and localities, educators, and other interested persons, shall develop and publish performance standards for the program under this section. Such standards shall at a minimum—

(A) provide methods for measuring the degree to which States are targeting their programs to those individuals within each priority group (as described in subsection (d)) who will have the most difficulty finding employment;

(B) provide methods for determining whether States are providing intensive services under the program, tailored to the individual needs of participants and fully calculated to produce self-sufficiency;

(C) provide methods for measuring the degree to which States are placing strong emphasis on participation by volunteers among the priority groups described in subsection (d);

(D) measure the cost effectiveness of the employment portion of the program and the welfare savings that result from the program;

(E) establish expectations for placement rates, including the minimum rate at which participants within each priority group (as described in subsection (d)) are to be placed in jobs or complete their education or both;

(F) take into account the extent to which the program results in job retention by participants, case closures, educational improvements, and placement in jobs that provide health benefits;

(G) give appropriate recognition to the likelihood that unemployment and other economic factors will influence the success of the employment program; and

(H) take into account such other factors as are deemed important.

The performance standards so developed and published shall be periodically reviewed by the Secretary and modified (in consultation with the Congress) to the extent necessary to reflect the continuing implementation of the program.

(2) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for modifying the rate of the Federal payments to States under section 403(a)(4) so as to re-

flect the relative effectiveness of the various States in carrying out the program under this section and achieving its purpose.

(o) Continuing Evaluation.—The Secretary shall provide for the continuing evaluation of the programs established under this section by the several States, including their effectiveness in achieving the purpose of this section and their impact on other related programs. The Secretary shall also—

(1) provide for the conduct of research on ways to increase the effectiveness of such programs, including research on—

(A) the effectiveness of giving priority to volunteers,

(B) appropriate strategies for assisting two-parent families,

(C) the wage rates of individuals placed in jobs as a result of such programs,

(D) the approaches that are most effective in meeting the needs of specific groups and types of participants (such as teenage parents, older parents, and families including disabled persons), and

(E) the effect of targeting on families which include children below 6 years of age; and

(2) provide technical assistance to States, localities, schools, and employers who may participate in the programs and who request or require such assistance.

(p) Uniform Reporting Requirements.—The Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may need to ensure that the purposes and provisions of this section are being effectively carried out, including at a minimum the average monthly number of families participating in the program under this section, the types of such families, the amounts expended under the program (as family support supplements and otherwise) with respect to such families, and the length of time for which such families are assisted. The information and data so furnished shall be separately stated with respect to each of the services and activities enumerated in subsection (h) and with respect to each of the activities described in subsections (i), (j), and (k).

SPECIAL PROVISIONS FOR FAMILIES HEADED BY MINOR PARENTS

Sec. 417. (a)(1) The State agency shall assign an individual case manager to each family, receiving family support supplements under the State's plan approved under section 402, which is headed by a minor parent. The case manager so assigned shall be responsible for assuring that the family receives and effectively uses all of the aid and services which are available to it under the plan and under related laws and programs, and for supervising and monitoring the provision and use of such aid and services. Each case manager assigned under this subsection shall maintain a caseload sufficiently small to assure the provision of intensive services to and close supervision of the families to which he or she is assigned.

(2) If the family is participating in the program under section 416, only one case manager shall be assigned to perform all case management functions for the family.

(b)(1)(A) Each family headed by an unmarried minor parent shall be required to live with a parent, legal guardian, or other adult relative of such minor parent or in a foster home, maternity home, or other supportive living arrangement, except to the extent that the State agency determines that it is impossible or inappropriate to do so (as more particularly described in subparagraph (B)). The case manager assigned to the family may in any event require that payments of family support supplements with respect to the family be made when appropriate to a third party in the manner described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof); and if the minor parent is not living under adult supervision, and an appropriate relative or other representative payee cannot be found, the case manager may serve as representative payee.

(B) The State agency may determine that it is impossible or inappropriate for a minor parent to live with a parent or legal guardian if—

(i) the minor parent has no living parent or legal guardian whose whereabouts are known;

(ii) the health or safety of the minor parent or the child would be jeopardized if they lived with the parent or guardian, or the living conditions of the parent or guardian are overcrowded;

(iii) the parent or guardian refuses to allow the minor parent and child to live in his or her home; or

(iv) the minor parent has lived apart from the parent or guardian for at least a year prior to the birth of the child or prior to making application for supplements under the plan.

(2) In any case where the parent with whom the minor parent is living is also eligible for family support supplements (by reason of the presence in the household of one or more other children of such parent), the State must provide (notwithstanding paragraph (38)) that the minor parent and the minor parent's child or children constitute a family unit separate from that of the minor parent's parent and such other children.

(c) The State may at its option (1) require school attendance by the minor parent on a part-time basis as a condition of such parent's eligibility for aid under the State plan, or (2) require that the minor parent participate in training in parenting and family living skills, including nutrition and health education, as a condition of such eligibility (without regard to the age of the child or children); but in either case only if and to the extent that day care for the child or children is guaranteed (and is guaranteed within the applicable dollar limitations set forth in section 402(g) if the child or any of the children is below 3 years of age).

(d) Amounts expended by a State under this section in providing case management services with respect to families headed by minor parents shall be considered, for purposes of section 403(a)(3)(D), to be expenditures for the proper and efficient administration of the State plan.

(e) For purposes of this section, the term "minor parent" means a parent who has not yet attained the age of 18.

Part D—Child Support and Establishment of Paternity

* * * * * * *

DUTIES OF THE SECRETARY

Sec. 452. (a) The Secetary shall establish, within the Department of Health and Human Services a separate organizational unit, under the directiion of a designee of the Secretary, who shall report directly to the Secretary and who shall—

(1) * * *

* * * * * * *

(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following:

(A) * * *

* * * * * * *

(C) the following data, with the data required under each clause being separately stated for cases where the child is receiving [aid to families with dependent children] *aid in the form of family support supplements* (or foster care maintenance payments under part E), cases where the child was formerly receiving such aid or payments and the State is continuing to collect support assigned to it under section 402(a)(26) or 471(a)(17), and all other cases under this part:

(i) the total number of cases in which a support obligation has been established in the fiscal year for which the report is submitted, and the total amount of such obligations;

* * * * * * *

(g) The standards required by subsection (a)(1) shall establish limitations on the period of time (after the determination of a family's eligibility for aid under a State plan approved under section 402 or the filing of an application for services under this part) within which a State must (1) respond to requests for assistance in locating absent parents or establishing paternity, and (2) begin proceedings to establish or enforce child support awards.

* * * * * * *

STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

Sec. 454. A State plan for child and spousal support must—

(1) * * *

* * * * * * *

(4) provide that such State will undertake—

(A) in the case of child born out of wedlock with respect to whom an assignment under section 402(a)(26) of this title is effective, to establish the paternity of such child, unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so, and

(B) in the case of any child with respect to whom such assignment is effective, including an assignment with respect to a child on whose behalf a State agency is making foster care maintenance payments under part E, to secure support for such child from his parent (or from any other person legally liable for such support), and from such parent for his spouse (or former spouse) receiving [aid to families with dependent children] *aid in the form of family support supplements* (but only if a support obligation has been established with respect to such spouse, and only if the support obligation established with respect to the child is being enforced under the plan), utilizing any reciprocal arrangements adopted with other States (unless the agency administering the plan of the State under part A on E of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so), except that when such arrangements and other means have proven ineffective, the State may utilize the Federal courts to obtain or enforce court orders for support;

* * * * * * *

(16) provide, at the option of the State, for the establishment, in accordance with an (initial and annually updated) advance automatic data processing planning document approved under section 452(d), of an automatic data processing and information retrieval system designed effectively and efficiently to assist management in the administration of the State plan, in the State and localities thereof, so as (A) to control, account for, and monitor (i) all the factors in the support enforcement collection and parternity determination process under such plan (including, but not limited to. (I) identifiable correlation factors (such as social security numbers, names, dates of birth, home addresses and mailing addresses (including postal ZIP codes) of any individual with respect to whom support obligations are sought to be established or enforced and with respect to any person to whom such support obligations are owing) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether such individual is paying or is obligated to pay support in more than one jurisdiction, (II) checking of records of such individuals on a periodic basis with Federal, intra- and inter-State, and local agencies, (III) maintaining the data necessary to meet the Federal reporting requirements on a timely basis, and (IV) delinquency and enforcement activities), (ii) the collection and distribution of support payments (both intra- and inter-State), the determination, collection, and distribution of incentive payments both inter- and intra-State, and the maintenance of accounts receivable on all amounts owed, collected and distributed, and (iii) the costs of all services rendered, either directly or

by interfacing with State financial management and expenditure information, (B) to provide interface with records of the State's [aid to families with dependent children program] *Family Support Program* in order to determine if a collection of a support payment causes a change affecting eligibility for or the amount of aid under such program, (C) to provide for security against unauthorized access to, or use of, the data in such system, (D) to facilitate the development and improvement of the income withholding and other procedures required under section 466(a) through the monitoring of support payments, the maintenance of accurate records regarding the payment of support, and the prompt provision of notice to appropriate officials with respect to any arrearages in support payments which may occur, and (E) to provide management information on all cases under the State plan from initial referral or application through collection and enforcement;

* * * * * * *

(22) in order for the State to be eligible to receive any incentive payments under section 458, provide that, if one or more political subdivisions of the State participate in the costs of carrying out activities under the State plan during any period, each such subdivision shall be entitled to receive an appropriate share (as determined by the State) of any such incentive payments made to the State for such period, taking into account the efficiency and effectiveness of the activities carried out under the State plan by such political subdivision; [and]

(23) provide that the State will regularly and frequently publicize, through public service announcements, the availability of child support enforcement services under the plan and otherwise, including information as to any application fees for such services and a telephone number or postal address at which further information may be obtained[.]*;*

(24) provide that the State will observe and comply with the time limits established under section 452(g); and

(25) provide that, if it does not already have in effect an automatic data processing and information retrieval system meeting all of the requirements of paragraph (16), the State—

(A) will submit to the Secretary by October 1, 1989 (for his review and approval no later than October 1, 1990) an advance automatic data processing planning document of the type referred to in that paragraph; and

(B) will have in effect by October 1, 1992, an operational automatic data processing and information retrieval system meeting all the requirements of that paragraph

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PAYMENTS TO STATES

SEC. 455. (a)(1) From the sums appropriated therefor, the Secretary shall pay to each State for each quarter [an amount—

[(A) equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454, and

[(B) equal to 90 percent (rather than the percent specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to the planning, design, development, installation or enhancement of an automatic data processing and information retrieval system (including in such sums the full cost of the hardware components of such system) which the Secretary finds meets the requirements specified in section 454(16), or meets such requirements without regard to clause (D) thereof;

except that] *an amount equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454; except that* no amount shall be paid to any State on account of amounts expended to carry out an agreement which it has entered into pursuant to section 463. In determining the total amounts expended by any State during a quarter, for purposes of this subsection, there shall be excluded an amount equal to the total of any fees collected or other income resulting from services provided under the plan approved under this part.

(2) [The] *(A) Except as provided in subparagraphs (B) and (C), the* percent applicable to quarters in a fiscal year for purposes of paragraph (1)(A) is—

[(A)] *(i)* 70 percent for fiscal years 1984, 1985, 1986, and 1987,

[(B)] *(ii)* 68 percent for fiscal years 1988 and 1989, and

[(C)] *(iii)* 66 percent for fiscal year 1990 and each fiscal year thereafter.

(B) In the case of a State that is not fully in compliance with the Child Support Enforcement Amendments of 1984, as determined by the Secretary, at any time after the expiration of 6 months after the date of the enactment of this subparagraph, the percent applicable to any quarter for purposes of paragraph (1) is 66 percent.

(C) In the case of any State that has in effect a law (whether enacted before, on, or after the date of the enactment of this subparagraph) under which—

(i) income withholding in accordance with section 466(b) is required in cases where an individual residing in the State owes child support under a court order issued or modified in the State on or after the date of the enactment of such law (or under an order of an administrative process established by a law of the State and issued or modified on or after that date), without the necessity of any application therefor or of any determination as to whether or not such individual is in arrears, and

(ii) an exemption from the requirement described in clause (i) is permitted in any case where (I) one of the parties demonstrates, and the court (or administrative process) finds, that there is good cause not to require immediate income withholding, or (II) a written agreement is reached between both parties which provides for an alternative arrangement,

the percent applicable to any quarter for purposes of paragraph (1) for any fiscal year (unless subparagraph (B) of this paragraph applies) is 70 percent.

* * * * * * *

DISTRIBUTION OF PROCEEDS

Sec. 457. (a) * * *

(b) The amounts collected as support by a State pursuant to a plan approved under this part during any fiscal year beginning after September 30, 1976, shall (subject to subsection (d)) be distributed as follows:

(1) the first $50 of such amounts as are collected periodically which represent monthly support payments *(or such larger portion of the amounts so collected as the State may have established, for purposes of section 402(a)(8)(A)(iv), under section 402(h)(1)), including a payment received in one month which was due for a prior month if it was timely made when due by the absent parent,* shall be paid to the family without affecting its eligibility for assistance or decreasing any amount otherwise payable as assistance to such family during such month;

* * * * * * *

(d) Notwithstanding the preceding provisions of this section, amounts collected by a State as child support for months in any period on behalf of a child for whom a public agency is making foster care maintenance payments under part E—

(1) * * *

* * * * * * *

(3) shall be retained by the State, if any portion of the amounts collected remains after making the payments required under paragraphs (1) and (2), to the extent that such portion is necessary to reimburse the State (with appropriate reimbursement to the Federal Government to the extent of its participation in the financing) for any past foster care maintenance payments (or payments of [aid to families with dependent children] *aid in the form of family support supplements*) which were made with respect to the child (and with respect to which past collections have not previously been retained);

* * * * * * *

INCENTIVE PAYMENTS TO STATES

Sec. 458. (a) * * *

(b)(1) Except as provided in paragraph (2), (3), and (4), the incentive payment shall be equal to—

(A) 6 percent of the total amount of support collected under the plan during the fiscal year in cases in which the support obligation involved is assigned to the State pursuant to section 402(a)(26) or section 471(a)(17) (with such total amount for any fiscal year being hereafter referred to in this section as the State's "[AFDC] *FSP* collections" for the year), plus

(B) 6 percent of the total amount of support collected during the fiscal year in all other cases under this part (with such total amount for any fiscal year being hereafter referred to in this section as the State's "[non-AFDC] *non-FSP* collections" for that year).

(2) If subsection (c) applies with respect to a State's [AFDC] *FSP* collections or [non-AFDC] *non-FSP* collections for any fiscal year, the percent specified in paragraph (1)(A) or (B) (with respect to such collections) shall be increased to the higher percent determined under such subsection (with respect to such collections) in determining the State's incentive payment under this subsection for that year.

(3) The dollar amount of the portion of the State's incentive payment for any fiscal year which is determined on the basis of its [non-AFDC] *non-FSP* collections under paragraph (1)(B) (after adjustment under subsection (c) if applicable) shall in no case exceed—

(A) the dollar amount of the portion of such payment which is determined on the basis of its [AFDC] *FSP* collections under paragraph (1)(A) (after adjustment under subsection (c) if applicable) in the case of fiscal year 1986 or 1987;

(B) 105 percent of such dollar amount in the case of fiscal year 1988;

(C) 110 percent of such dollar amount in the case of fiscal year 1989; or

(D) 115 percent of such dollar amount in the case of fiscal year 1990 or any fiscal year thereafter.

(4) The Secretry shall make such additional payments to the State under this part, for fiscal year 1986 or 1987, as may be necessary to assure that the total amount of payments under this section and section 455(a)(1)(A) for such fiscal year is no less than 80 percent of the amount that would have been payable to that State and its political subdivisions for such fiscal year under this section and section 455(a)(1)(A) if those sections (including the amendment made by section 5(c)(2)(A) of the Child Support Enforcement Amendments of 1984) had remained in effect as they were in effect for fiscal year 1985.

[(c)]*(1)* If the total amount of a State's [AFDC] *FSP* collections or [non-AFDC] *non-FSP* collections for any fiscal year bears a ratio to the total amount expended by the State in that year for the operations of its plan approved under section 454 for which payment may be made under section 455 (with the total amount so expended in any fiscal year being hereafter referred to in this section as the State's "combined [AFDC/non-AFDC] *FSP/non-FSP* administrative costs" for the year) which is equal to or greater than 1.4, the relevant percent specified in subparagraph (A) or (B) of subsection (b)(1) (with respect to such collections) shall be increased to—

[(1)]*(A)* 6.5 percent, plus

[(2)]*(B)* one-half of 1 percent for each full two-tenths by which such ratio exceeds 1.4;

except that the percent so specified shall in no event be increased (for either [AFDC] *FSP* collections or [non-AFDC] *non-FSP* collections) to more than 10 percent. For purposes of the preceding sentence, laboratory costs incurred in determining paternity in any fiscal year may at the option of the State be excluded from the

State's combined [AFDC/non-AFDC] *FSP/non-FSP* administrative cost for that year.

(2) In determining the State's combined FSP/non-FSP administrative costs for any fiscal year under this section, the State shall be deemed to be collecting support in the amount of $100 a month, for a period of up to 12 months, in every case in which paternity has been established but actual collections have not commenced or the amount being actually collected is less than $100 a month.

(d) In computing incentive payments under this section, support which is collected by one State at the request of another State shall be treated as having been collected in full by each such State, *and any amounts expended by the State in carrying out a special project assisted under section 455(e) shall be excluded.*

* * * * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. (a) In order to satisfy section 454(20)(A), each State must have in effect laws requiring the use of the following procedures, consistent with this section and with regulations of the Secretary, to increase the effectiveness of the program which the State administers under this part:

(1) * * *

* * * * * * *

(5)*(A)* Procedures which permit the establishment of the paternity of any child at any time prior to such child's eighteenth birthday.

(B) Procedures under which the State is required (except in cases where the individual involved has been found under section 402(a)(26)(B) to have good cause for refusing to cooperate)—

(i) to establish the paternity of every child within the State who is a member of a family receiving aid under the State plan approved under section 402(a), as soon as possible after such child's birth but in any event prior to such child's eighteenth birthday;

(ii) to require the child and all other parties, in a contested paternity case, to submit to genetic tests upon the request of any such party; and

(iii) to use a 95-percent probability index from blood tests as a rebuttable presumption of paternity.

* * * * * * *

(10) Procedures (including expedited procedures of the type described in paragraph (2)) requiring—

(A) the uniform application of the guidelines established under section 467, and

(B) the updating of child support orders at least once every two years on the basis of the reapplication of the State's child support guidelines to the current circumstances of the parties in accordance with the due process requirements of the State, including at a minimum the provision to both parties of all information necessary to determine a new award level under the guidelines and notice

and opportunity for a hearing if desired by either party (but nothing in this paragraph or in such procedures shall require the lowering of any support award fixed by contract between the parties).

* * * * * * *

STATE GUIDELINES FOR CHILD SUPPORT AWARDS

SEC. 467. (a) Each State, as a condition for having its State plan approved under this part, must establish [guidelines for child support award amounts within the State. The guidelines may be established by law or by judicial or administrative action.] *guidelines for child support award amounts within the State, along with procedures for the periodic review and updating of all child support orders in accordance with the procedures described in section 466(a)(10). The guidelines may be established by law or by judicial or administrative action, and must be reviewed and updated if necessary at least once every three years.*

(b)*(1)* The guidelines established pursuant to subsection (a) shall be made available to all judges and other officials who have the power to determine child support awards within such State[, but need not be binding upon such judges or other officials].

(2) There shall be a rebuttable presumption, in any judicial or administrative proceeding for the award of child support, that the amount of the award which would result from the application of such guidelines is the correct amount of child support to be awarded. A written finding or specific finding on the record that the application of the guidelines would be unjust or inappropriate in a particular case shall be sufficient to rebut the presumption in that case.

* * * * * * *

STATE PLAN FOR FOSTER CARE AND ADOPTION ASSISTANCE

SEC. 471. (a) In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which—

(1) * * *

* * * * * * *

(8) provides safeguards which restrict the use of or disclosure of information concerning individuals assisted under the State plan to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part [A, B, C, or D] *A, B, or D* of this title or under title I, V, X, XIV, XVI (as in effect in Puerto Rico, Guam, and the Virgin Islands), XIX, or XX, or the supplemental security income program established by title XVI, (B) any investigation, prosecution, or criminal or civil proceeding,, conducted in connection with the administration of any such plan or program, (C) the administration of any other Federal or federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need, and (D) any audit or similar activity conducted in connection with the administration of any such plan

or program by any governmental agency which is authorized by law to conduct such audit or activity; and the safeguards so provided shall prohibit disclosure, to any committee or legislative body (other than an agency referred to in clause (D) with respect to an activity referred to in such clause), of any information which identifies by name or address any such applicant or recipient; except that nothing contained herein shall preclude a State from providing standards which restrict disclosures to purposes more limited than those specified herein, or which, in the case of adoptions, prevent disclosure entirely;

* * * * * * *

FOSTER CARE MAINTENANCE PAYMENTS PROGRAM

Sec. 472. (a) * * *

* * * * * * *

(h) For purposes of titles XIX and XX, any child with respect to whom foster care maintenance payments are made under this section shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of family support supplements* under part A of this title.

ADOPTION ASSISTANCE PROGRAM

Sec. 473. (a)(1)(A) * * *

(b) For purposes of titles XIX and XX, any child—

(1)(A) who is a child described in subsection (a)(2), and

(B) with respect to whom an adoption assistance agreement is in effect under this section (whether or not adoption assistance payments are provided under the agreement or are being made under this section), including any such child who has been placed for adoption in accordance with applicable State and local law (whether or not an interlocutory or other judicial decree of adoption has been issued), or

(2) with respect to whom foster care maintenance payments are being made under seciton 472,

shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of family support supplements* under part A of this title in the State where such child resides.

* * * * * * *

TITLE XI—GENERAL PROVISIONS AND PEER REVIEW

* * * * * * *

Part A—General Provisions

DEFINITIONS

Sec. 1101. (a) When used in this Act—

(1) The term "State", except where otherwise provided, includes the District of Columbia and the Commonwealth of Puerto Rico, and when used in titles IV, V, VII, XI, and XIX

includes the Virgin Islands and Guam. *Such term when used in part A of title IV also includes American Samoa.* Such term when used in titles III, IX, and XII also includes the Virgin Islands. Such term when used in title V and in part B of this title also includes American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands. Such term when used in title XIX also includes the Northern Mariana Islands and American Samoa. In the case of Puerto Rico, the Virgin Islands, and Guam, titles I, X, and XIV, and title XVI (as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972) shall continue to apply, and the term "State" when used in such titles (but not in title XVI as in effect pursuant to such amendment after December 31, 1973) includes Puerto Rico, the Virgin Islands, and Guam. Such term when used in title XX also includes the Virgin Islands, Guam, and the Northern Mariana Islands.

* * * * * * *

LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 1108. (a) The total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, and under parts A and E of title IV (exclusive of any amounts on account of services and items to which subsection (b) applies)—

(1) for payment to Puerto Rico shall not exceed—

(A) $12,500,000 with respect to the fiscal year 1968,

(B) $15,000,000 with respect to the fiscal year 1969,

(C) $18,000,000 with respect to the fiscal year 1970,

(D) $21,000,000 with respect to the fiscal year 1971,

(E) $24,000,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) $72,000,000 with respect to the fiscal year 1979 and each fiscal year thereafter;]

(F) $72,000,000 with respect to each of the fiscal years 1979 through 1987, or

(G) $81,270,000 with respect to the fiscal year 1988 and each fiscal year thereafter;

(2) for payment to the Virgin Islands shall not exceed—

(A) $425,000 with respect to the fiscal year 1968,

(B) $500,000 with respect to the fiscal year 1969,

(C) $600,000 with respect to the fiscal year 1970,

(D) $700,000 with respect to the fiscal year 1971,

(E) $800,000 with respect to each of the fiscal years 1972 through 1978, [or] [(F) $2,400,000 with respect to the fiscal year 1979 and each fiscal year thereafter;]

(F) $2,400,000 with respect to each of the fiscal years 1979 through 1987, or

(G) $2,709,000 with respect to the fiscal year 1988 and each fiscal year thereafter;,

(3) for payment to Guam shall not exceed—

(A) $575,000 with respect to the fiscal year 1968,

(B) $690,000 with respect to the fiscal year 1971,

(C) $825,000 with respect to the fiscal year 1970,

(D) $960,000 with respect to the fiscal year 1971,

(E) $1,100,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) $3,000,000 with respect to the fiscal year 1979 and each fiscal year thereafter.]

(F) $3,000,000 with respect to each of the fiscal years 1979 through 1987, or

(G) $3,725,000 with respect to the fiscal year 1988 and each fiscal year threafter;

(4) for payment to Amrican Samoa shall not exceed $1,000,000 with respect to any fiscal year.

Each jurisdiction specified in this subsection may use in its program under title XX any sums available to it under this subsection which are not needed to carry out the programs specified in this subsection.

(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services and services provided under section [402(a)(19)] *416* with respect to any fiscal year—

(1) for payment to Puerto Rico shall not exceed $2,000,000,

(2) for payment to the Virgin Islands shall not exceed $65,000, and

(3) for payment to Guam shall not exceed $90,000.

* * * * * * *

DEMONSTRATION PROJECTS

SEC. 1115. (a)*(1)* In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title I, X, XIV, XVI, or XIX, or part A or D of title IV, in a State or States—

[(1) the Secretary] *(A) the Secretary* may waive compliance with any of the requirements of section 2, 402, 454, 1002, 1402, 1602, or 1902, as the case may be, to the extent and for the period he finds necessary to enable such State or States to carry out such project, and

[(2) costs] *(B) costs* of such project which would not otherwise be included as expenditures under section 3, 403, 455, 1003, 1403, 1603, or 1903, as the case may be, and which are not included as part of the costs of projects under section 1110, shall, to the extent and for the period prescribed by the Secretary, be regarded as expenditures under the State plan or plans approved under such title, or for administration of such State plan or plans, as may be appropriate.

In addition, not to exceed $4,000,000 of the aggregate amount appropriated for payments to States under such titles for any fiscal year beginning after June 30, 1967, shall be available, under such terms and conditions as the Secretary may establish, for payments to States to cover so much of the cost of such projects as is not covered by payments under such titles and is not included as part of the cost of projects for purposes of section 1110.

[(c)] *(2)* In the case of any experimental, pilot, or demonstration project undertaken under [subsection (a)] *paragraph (1)* to assist in promoting the objectives of part D of title IV, the project—

[(1)] *(A)* must be designed to improve the financial well-being of children or otherwise improve the operation of the child support program;

[(2)] *(B)* may not permit modifications in the child support program which would have the effect of disadvantaging children in need of support; and

[(3)] *(C)* must not result in increased cost to the Federal Government under the program of aid to families with dependent children.

[(b)(1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

[(A) provide that not more than one such project be conducted on a statewide basis;

[(B) provide that in making arrangements for public service employment—

[(i) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

[(ii) such project will not result in the displacement of employed workers,

[(iii) each participant in such project shall be compensated for work performed by him at an hourly rate equal to the prevailing hourly wage for similar work in the locality where the participant performs such work (and, for purposes of this clause, benefits payable under the State's plan approved under part A of title IV of the family of which such participant is a member shall be regarded as compensation for work performed by such participant),

[(iv) with respect to such project the conditions of work, training, education, an employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

[(v) appropriate workmen's compensation protection is provided to all participants; and

[(C) provide that participation in such project by any individual receiving aid to families with dependent children be voluntary.

[(2) Any State which establishes and conducts demonstration projects under this subsection may, subject to paragraph (3), with respect to any such project—

[(A) waive, subject to paragraph (3), any or all of the requirements of sections 402(a)(1) (relating to statewide operation), 402(a)(3) (relating to administration by a single State agency), 402(a)(8) (relating to disregard of earned income), except that no such waiver of 402(a)(8) shall operate to waive any amount in excess of one-half of the earned income of any individual, and 402(a)(19) (relating to the work incentive program);

[(B) subject to paragraph (4), use to cover the costs of the project such funds as are appropriated for payment to such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such projects are conducted; and

[(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which the project is conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

[(3)(A) Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit an application to the Secretary in such form and containing such information as the Secretary may require. Whenever any State submits such an application to the Secretary, it shall at the same time issue public notice of that fact together with a general description of the project with respect to which the application is submitted, and shall invite comment thereon from interested parties and comments thereon may be submitted, within the 30-day period beginning with the date the application is submitted to the Secretary, to the State or the Secretary by such parties. The State shall also make copies of the application available for public inspection. The Secretary shall also immediately publish a summary of the proposed project, make copies of the application available for public inspection, and receive and consider comments submitted with respect to the application. A State shall be authorized to proceed with a project submitted under this subsection—

[(i) when such application has been approved by the Secretary (which shall be no earlier than 30 days following the date the application is submitted to him), or

[(ii) 60 days after the date on which such application is submitted to the Secretary unless, during such 60 day period, he denies the application.

[(B) Notwithstanding the provisions of paragraph (2)(A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The project with respect to which any such disapproved waiver was made shall be terminated by such State not later than the last day of the month following the month in which such waiver was disapproved.

[(4) Any amount payable to a State under section 403(a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

[(5) Participation in a project established under this section shall not be considered to constitute employment for purposes of any finding with respect to "unemployment" as that term is used in section 407.

[(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980.]

(b)(1) In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

(2)(A) In order to test the effect of in-home early childhood development programs and pre-school center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 and participating in the education, training, and work program under section 416, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 3 years.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(C) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this paragraph, after such project has been carried out for one year and again when such project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this paragraph.

(3)(A) In order to permit States to test whether (and the extent to which) eliminating the 100-hour rule under section 407, and requiring parents under that section to accept any reasonable job offers while preserving the eligibility of their families for aid under the applicable State plan approved under section 402, would effectively encourage such parents to enter the permanent work force and thereby significantly reduce program costs, up to 5 States and localities may undertake and carry out demonstration projects under which—

(i) each parent receiving aid pursuant to section 407 is required to accept any reasonable full- or part-time job which is offered to him or her, without regard to the amount of the parent's resulting earnings as compared to the level of the family's aid under the applicable State plan, and

(ii) the family's eligibility under the plan is preserved notwithstanding the parent's resulting earnings, so long as such earnings (after the application of section 402(a)(8)) do not exceed the applicable State standard of need, without regard to the 100-hour rule or any other durational standard that might be applied in defining unemployment for purposes of determining such eligibility.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(C) Each demonstration project approved under this paragraph shall provide for the payment of aid under the applicable State plan, as though section 407 had been modified to reflect the provisions of clauses (i) and (ii) of subparagraph (A) but shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and any related requirements and conditions under part A of title IV); and each such project shall meet such other requirements and conditions as the Secretary shall prescribe.

(4)(A) In order to encourage States to employ or arrange for the employment of parents (of dependent children receiving aid under State plans approved under section 402(a)) as providers of day care for other children receiving such aid, including any training which may be necessary to prepare the parents for such employment, up to 5 States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the education, training, and work program under section 416 by making additional day care services available to meet the requirements of section 402(g)(1) while affording significant numbers of families receiving such aid a realistic opportunity to avoid welfare dependence.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to those States whose applications are approved to assist them in carrying out such projects. Each project under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe.

(5)(A) In order to test the effect of increasing the maximum excludable value of automobiles under State plans approved under section 402, up to 5 States may undertake and carry out demonstration projects under which the resources of any individual are determined as though the amount prescribed by the Secretary under section 402(a)(7)(B) with respect to such individual's excludable ownership interest in an automobile were the same as the amount that

would be excluded or disregarded in similar circumstances under the Food Stamp Act of 1977 (and such section 402(a)(7)(B) shall be deemed to have been modified accordingly for purposes of any such project). Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 5 years.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects. Both urban and rural States must be included among the States whose applications are approved.

(6)(A) In order to encourage States to identify the problems arising in connection with visitation by absent parents and to address problems involving child custody, to determine the magnitude of such problems, and to test possible solutions thereto (including but not limited to the creation of special staffs of mediators to deal with disputes involving court-ordered child access privileges or custody), any State may establish and conduct one or more demonstration projects in accordance with such terms, conditions, and requirements as the Secretary shall prescribe (except that no such project may include the withholding of child support payments pending visitation). No such project shall be conducted for a period of more than 3 years.

(B) The Secretary may make grants to any State, in amounts not exceeding $5,000,000 per year, to assist in financing the project or projects established by such State under this paragraph.

(7) In order to permit States to test methods of improving child support enforcement in cases where the noncustodial parent is financially unable to meet his support obligations, any State may undertake and carry out a demonstration project under which absent parents who owe child support, but whose income is insufficient to pay such support, are encouraged by all possible means to participate in the State's education, training, and work program established under section 416, in an appropriate State program under the Job Training Partnership Act, or in a similar program. Demonstration projects under this paragraph shall be established and carried out in accordance with such conditions and requirements as the Secretary shall prescribe; and the Secretary shall make grants to the States conducting such projects to assist in their financing.

(8)(A) Any demonstration project undertaken pursuant to this subsection—

(i) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

(ii) may not permit modifications in any program which would have the effect of disadvantaging children in need.

(B) There are authorized to be appropriated such sums as may be necessary to enable the Secretary to make grants with respect to the demonstration projects which are provided for under any of the preceding paragraphs of this subsection (and for which an authoriza-

tion in specific dollar amounts is not included in the paragraph involved).

(c)(1) In order to ensure that States which incur particularly high costs in providing emergency assistance for temporary housing to homeless FSP families may have an adequate opportunity to test whether such costs could be effectively reduced by the construction or rehabilitation (with the assistance of Federal grants) of permanent housing that such families can afford with their regular family support supplements, there is hereby established a demonstration program under which the Secretary shall make grants to those States, selected in accordance with paragraph (2), which conduct demonstration projects in accordance with this subsection.

(2)(A) Any State which desires to participate in the demonstration program established by paragraph (1) may submit an application therefor to the Secretary.

(B) To be eligible for selection to conduct a demonstration project under such program, a State—

(i) must be currently providing emergency assistance (as defined in paragraph (6)(A)) in the form of housing, including transitional housing;

(ii) must have a particularly acute need for assistance in dealing with the problems of homeless FSP families by virtue of the large number of such families, and the existence of shortages in the supply of low-income housing, in the political subdivision or subdivisions where such project would be conducted; and

(iii) must submit a plan to achieve significant cost savings over a 10-year period through the conduct of such project with assistance under this subsection.

(C) The Secretary shall select up to 3 States, from among those which submit applications under subparagraph (A) and are determined to be eligible under subparagraph (B), to conduct demonstration projects in accordance with this subsection. In the event that more than 3 States are determined to be eligible, the 3 States selected shall be those whose cost savings (as described in clause (iii) of subparagraph (B)) will be the greatest.

(D) Grants for each demonstration project under this subsection shall be awarded within 6 months after the date of the appropriation of funds (pursuant to paragraph (8)) for the purposes prescribed in this subsection.

(3) For each year during which a State is conducting a demonstration project under this subsection, the Secretary shall make a grant to such State, in an amount determined under paragraph (8)(B)), for the construction or rehabilitation of permanent housing to serve individuals and families who would otherwise require emergency assistance in the form of temporary housing.

(4) A grant may be made to a State under paragraph (2) only if such State (along with or as a part of its application) furnishes the Secretary with satisfactory assurances that—

(A) the proceeds of the grant will be used exclusively for the construction or rehabilitation of permanent housing to be owned by the State, a political subdivision of the State, an agency or instrumentality of the State or of a political subdivision of the State, or a nonprofit organization;

(B) all units assisted with funds from the proceeds of the grant will be used exclusively for rental to families which—

(i) are eligible, at the time of the rental, for aid under the State's plan approved under section 402 (and a family with one or more members who meet this requirement shall not be deemed ineligible because one or more other members receive benefits under title XVI),

(ii) have been unable to obtain decent housing at rents that can be paid with the portion of such aid allocated for shelter, and

(iii) if such housing were not available to them, would be compelled to live in a shelter for the homeless or in a hotel or motel, or other temporary accommodations, paid for with emergency assistance, or would be homeless;

(C) the local jurisdiction in which such housing will be located is experiencing a critical shortage of housing units that are available to families eligible for aid under the State plan at rents that can be paid with the portion of such aid allocated for shelter; and

(D) whenever units assisted with grants under the project become available for occupancy, the State will discontinue the use of an equivalent number of units of the most costly accommodations it has been using as temporary housing paid for with emergency assistance, except to the extent that such accommodations are demonstrably needed—

(i) in addition to the units so assisted, to take account of increases in the caseload under the emergency assistance program, or

(ii) because, due to the condition or location of such accommodations, or other factors, discontinuing the use of such units would not be in the best interests of needy families, provided that the State discontinues the use of an equivalent number of other units it has been using as temporary housing paid for with emergency assistance;

and only if the State, along with or as a part of its application, includes such documentary and other materials as may be necessary to establish its eligibility under paragraph (2)(B) and such provisions as may be necessary to carry out the requirements of subparagraph (D) of this paragraph.

(5)(A) The average cost to the Federal Government per unit of housing constructed or rehabilitated with a grant under a project under this subsection shall be an amount no greater than the calculated yearly payment of emergency assistance that would be required to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters for one year, in the jurisdiction or jurisdictions where the project is located.

(B) The total of Federal payments to a State under part A of title IV over the 10-year period beginning at the time construction or rehabilitation commences under the State's project under this subsection, with respect to the families who will live in housing assisted by a grant under such project (the 'total grant cost' as more particularly defined in paragraph (6)(C)), must be lower as a result of the construction or rehabilitation of permanent housing with the grant than it would be if the State made emergency assistance payments

with respect to the families involved at the level of the standard yearly payment (as defined in paragraph (6)(B)) during such 10-year period.

(C) Any grant to a State under paragraph (1) shall be made only on condition (i) that such State pay a percentage of the total cost of the construction or rehabilitation of the housing involved equal at least to the percentage of the current non-Federal share of family support supplements under the State's plan approved under section 402 (as determined under section 403(a) or 1118), increased by 10 percentage points, and (ii) that such State not require any of its political subdivisions to pay a higher percentage of the total costs of the construction or rehabilitation of such housing than it would pay with respect to family support supplements pursuant to such State plan.

(6) For purposes of this subsection—

(A) the term "emergency assistance" means emergency assistance to needy families with children as described in section 403(e), and regular payments for the costs of temporary housing authorized as a special needs item under the State plan;

(B) the term "standard yearly payment", with respect to emergency assistance used to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters during any year in any jurisdiction, means an amount equal to the total amount of such assistance which was needed to provide all housing in temporary accommodations in that jurisdiction (with emergency assistance), in the most recently completed calendar year, at the 75th percentile in the range of all payments of emergency assistance for temporary accommodations, based on the State's actual experience with emergency assistance in such jurisdiction; and

(C) the term "total grant cost", with respect to housing constructed or rehabilitated under a demonstration project under this subsection, means the sum of (i) the Federal share of payments attributable to such housing during the 10-year period beginning on the date on which its construction or rehabilitation begins (including the grant provided under this subsection), (ii) the Federal share of payments of emergency assistance for temporary housing to the families involved during such construction or rehabilitation (at a level equal to the standard yearly payment), and (iii) the Federal share of regular payments of aid under the State plan to such families during the remainder of such 10-year period.

(7) Whenever a grant is made to a State under this subsection, the assurances required of the State under subparagraphs (A) through (D) of paragraph (4) and any other requirements imposed by the Secretary as a condition of such grant shall be considered, for purposes of section 404, as requirements imposed by or in the administration of the State's plan approved under section 402.

(8)(A) There is authorized to be appropriated for grants under this subsection the sum of $15,000,000 for each of the first 5 fiscal years beginning on or after October 1, 1987.

(B)(i) The amount appropriated for any fiscal year pursuant to subparagraph (A) shall be divided among the States conducting demonstration projects under this subsection according to their re-

spective need for assistance of the type involved and their respective numbers of homeless FSP families, as determined by the Secretary.

(ii) If any State to which a grant is made under this subparagraph finds that it does not require the full amount of such grant to conduct its demonstration project under this subsection in the fiscal year involved, the unused portion of such grant shall be reallocated to the other States conducting such projects in amounts based on their respective need for assistance of the type involved, as determined by the Secretary.

(iii) Amounts appropriated pursuant to subparagraph (A), and grants made from such amounts, shall remain available until expended.

(9) The Secretary shall prescribe and publish regulations to implement the provisions of this subsection no later than 6 months after the date of its enactment.

* * * * * * *

ALTERNATIVE FEDERAL PAYMENT WITH RESPECT TO PUBLIC ASSISTANCE EXPENDITURES

SEC. 1118. In the case of any State which has in effect a plan approved under title XIX for any calendar quarter, the total of the payments to which such State is entitled for such quarter, and for each succeeding quarter in the same fiscal year (which for purposes of this section means the 4 calendar quarters ending with September 30)), under paragraphs (1) and (2) of sections 3(a), 403(a), 1003(a), 1403(a), and 1603(a) shall, at the option of the State, be determined *(subject to section 403(k))* by application of the Federal medical assistance percentage (as defined in section 1905), instead of the percentages provided under each such section, to the expenditures under its State plans approved under titles I, X, XIV, and XVI, and part A of title IV, which would be included in determining the amounts of the Federal payments to which such State is entitled under such sections, but without regard to any maximum on the dollar amounts per recipient which may be counted under such sections. For purposes of the preceding sentence, the term "Federal medical assistance percentage" shall, in the case of Puerto Rico, the Virgin Islands, and Guam, mean 75 per centum.

* * * * * * *

TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

* * * * * * *

STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. (a) A State plan for medical assistance must—

(1) * * *

* * * * * * *

(10) provide—

(A) for making medical assistance available, including at least the care and services listed in paragraphs (1) through (5) and (17) of section 1905(a), to—

(i) all individuals—

(I) who are receiving aid or assistance under any plan of State approved under title I, X, XIV, or XVI, or part A or part E of title IV (including individuals eligible under this title by reason of section 402(a)(37), 406(h), or 473(b), or considered by the State to be receiving such aid as authorized under [section 414(g)),] *section 416(i)(6)),*

* * * * * * *

TITLE XX—BLOCK GRANTS TO STATES FOR SOCIAL SERVICES

* * * * * * *

REPORTS AND AUDITS

SEC. 2006. (a) Each State shall prepare reports on its activities carried out with funds made available (or transferred for use) under this title. [Reports shall be in such form, contain such information, and be of such frequency (but not less often than every two years)] *Reports shall be prepared annually, covering the most recently completed fiscal year, and shall be in such form and contain such information (including but not limited to the information specified in subsection (c))* as the State finds necessary to provide an accurate description of such activities, to secure a complete record of the purposes for which funds were spent, and to determine the extent to which funds were spent in a manner consistent with the reports required by section 2004. The State shall make copies of the reports required by this section available for public inspection within the State and shall transmit a copy to the Secretary. Copies shall also be provided, upon request, to any interested public agency, and each such agency may provide its views on these reports to the Congress.

* * * * * * *

(c) Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)—

(1) the number of individuals who received services paid for in whole or in part with funds made available under this title, showing separately the number of children and the number of adults who received such services, and broken down in each case to reflect the types of services and circumstances involved;

(2) the amount actually spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient;

(3) the criteria applied in determining eligibility for services (such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs); and

(4) the methods by which services were provided, showing separately the services provided by public agencies and those pro-

vided by private agencies, and broken down in each case to reflect the types of services and circumstances involved.

The Secretary shall establish uniform definitions of services for use by the States in preparing the information required by this subsection.

[c**]***(d)* For other provisions requiring States to account for Federal grants, see section 6503 of title 31, United States Codes.

VI. ADDITIONAL VIEWS OF HON. FORTNEY H. (PETE) STARK

The Committee's bill provides an increase in the AFDC cap for Puerto Rico, Guam, the Virgin Islands, and an extension of AFDC to American Samoa. Further, it calls for a study of the reasons for imbalances in per capita assistance among the varius Possessions.

The General Accounting Office is completing a study, made at the request of Rep. Harold Ford and myself, entitled "Welfare and Taxes: Extending Benefits and Taxes to Puerto Rico, Virgin Islands, Guam, and American Samoa." This report will be released in early July and should serve as the basis of a major review of the treatment of the Possessions, both from a public assistance and a tax point of view.

While the final figures are still being adjusted and additional comments being accepted from the Possession Governments, the report will—in general—show that if the full range of Federal social services were extended to the Possessions, it would increase spending on the most needy by about a billion dollars.

There is no way in this budget climate that such a program expansion will occur.

Except, the report will also show that special tax subsidies, in large part to corporations and the owners of capital—the upper income groups—cost the Treasury several billion dollars per year.

Obviously, some triming of the tax subsidies could be used to provide a more adequate level of benefits to the most needy in the Possessions, and yet still remain budget neutral for the Federal Treasury.

The implications of such a shift in benefits and obligations would be enormous and must be the subject of careful social and political consideration. It is a debate which is long overdue. The GAO's report will be an important tool for the Congress, and they are to be commended for completing this difficult work.

I hope that as the Committee looks at the issue of inter-Possession welfare imbalances, it will broaden its work to look at the entire tax and social services issue.

Fortney H. (Pete) Stark.

ADDITIONAL VIEWS OF HON. DON J. PEASE

The Ways and Means Committee has produced a welfare reform bill which should merit the support of members of Congress and taxpayers alike. The committee has taken a pragmatic approach to welfare reform, acknowledging the factors that often serve as obstacles to welfare recipients getting into the workforce and addressing them. These include access to health care and day care services. The committee bill probably does not represent any member's ideal solutions to these kinds of problems, but, in my view, it takes us in the direction we should be heading.

Because welfare reform enjoys such widespread support among the taxpaying public as a concept, I believe that it is important that the committee bill represent reform not only to those of us who have worked on welfare programs for many years but also to those who will have to base their perceptions of our work on limited synopses of what we have done. Consequently, I am concerned about how the committee's changes to the Community Work Experience Program (CWEP) will be perceived by the public at large.

Congress rejected the Reagan Administration's fiscal year 1982 budget proposal which would have made CWEP mandatory, and I believe that was a correct decision. However, current law allowing the states to implement CWEP on an optional basis strikes me as a reasonable way to proceed. As of late last year, about half of the states had begun CWEP programs. States have implemented these programs because they believe in the value of basic work experience for the welfare population, so many of whom lack such experience. The NETWork program, which is the keystone of the committee bill, acknowledges the primary importance of education, training, and work experience as the best routes off of the welfare rolls. To limit an optional program that many states have found to be a useful tool seems inconsistent with the bill's strong emphasis on work.

Above all, I do not want to see the committee's hard work on this bill pilloried in the forum of public opinion as an expansion of welfare or as providing additional ways for the employable welfare recipient to avoid work. I do not hold strong views one way or the other on CWEP itself. My principal concern is that the important improvements in welfare we have been able to achieve could become overshadowed by attacks on the committee's changes in the CWEP program.

Don J. Pease.

VII. DISSENTING VIEWS OF MESSRS. JOHN J. DUNCAN, BILL ARCHER, GUY VANDER JAGT, PHILIP CRANE, BILL FRENZEL, DICK SCHULZE, BILL GRADISON, WILLIAM THOMAS, HAL DAUB, JUDD GREGG, HANK BROWN, AND ROD CHANDLER

Republican Ways and Means Committee Members are unified in their opposition to H.R. 1720. The bill is severely flawed because it:

1. Creates new barriers to work;
2. Raises benefits above the wages of entry-level jobs in many states;
3. Prevents states from using demonstration projects to decrease welfare dependence and increase administrative efficiency; and,
4. Raises federal spending by more than $5 billion in a time of massive deficits without designating a financing mechanism to pay for it.

Rather than breaking the cycle of proverty and dependence, the bill harms welfare recipients, making them more dependent and unable to afford to work. It is a cruel approach that discourages independence and productive work. If we truly wish to help the poor, we will break down the barriers that keep people from using their talents to become productive citizens. H.R. 1720 takes exactly the wrong approach.

RESTRICTIONS ON WORK

Four specific objections head the long list of concerns with this bill. Our chief objection is that, despite the rhetoric advertising the bill as pro-work, in fact it contains several provisions restricting work. First, language in Title I would prohibit local officials from assigning participants to jobs at less than the "current pay scale" for that position. Determining the "current pay scale" prior to referring someone to a job is costly, time consuming, and impractical considering the wide variety of potential jobs. No funds are included to perform this task.

Language in Title I explicitly bars state and local officials from assigning recipients to jobs under the Community Work Experience Program (CWEP) for more than six months. Indeed, under some circumstances, officials are barred from using work experience for more than three months. Recipients would thus be denied the opportunity to work even though a CWEP job were available. A work program used by many states for several years has been arbitrarily limited.

A third work restriction is the Title I provision stating that no AFDC recipients can be forced to take a job that pays less than their welfare benefits, including the insurance value of their medicaid. In California, the combined value of AFDC, food stamps, and medicaid is about $826 per month. Thus, the bill would bar California officials from requiring AFDC mothers to accept a job paying $4.50 per hour, regardless of the fact that experience in a $4.50 an hour job can lead to a much higher paying position. By boosting welfare benefits to a level above what an entry level job pays, and then prohibiting assignment to a job that doesn't pay more than welfare, the bill entraps the poor.

Another direct obstruction to work in this bill is an exemption of all mothers with children under age 3 from any participation requirements. The majority of American mothers with children under age 3 already are working. If you start with a young, unwed mother, who very well may be a high school dropout with limited if any work experience, and you cause her to stay home for three years, how difficult will it then be to bring her into the discipline required in the work place? For many of those young people, the greatest problem is fear—fear of the unknown, fear of the world of work. A three year delay of the process is too long, allowing a pattern of dependency to develop.

ADEQUACY OF WELFARE BENEFITS

This bill is designed to increase the size of welfare checks. Witnesses before the Public Assistance Subcommittee and the full Committee testified that AFDC mothers could not be expected to work until their most elemental needs were satisfied. This line of reasoning was used to justify benefit increases. Completely overlooked was the simple fact that welfare benefits and work incentives are inseparably linked. In the 1970s, the Ways and Means Committee helped pay for a series of four, large-scale experiments to test the relationship between guaranteed income and work. Each of these produced solid evidence that fathers, single-parent mothers, mothers in two-parent families, and teenagers all reduced their hours of work when their families were guaranteed income without a work requirement.

Congress must exercise great caution in setting welfare benefits. We must walk a delicate line between helping the needy and reducing incentive and self-reliance. Some reformers claim that welfare benefits must be increased because inflation has eroded the value of AFDC. The facts show this claim to be false.

AFDC is only one among many welfare programs, and any fair assessment of the financial condition of welfare families should attempt to assess the entire package of benefits foe which they are eligible. Tables 1 and 2 attached to these view depict two benefit packages that are typical of families participating in the welfare system. The first column, in Table 1, shows that in California, welfare families can have cash and in-kind income worth nearly $11,000 per year; a similar package in Colorado could be worth up to about $9,000 per year; and even in a low-benefit state such as Alabama the package can be worth over $6,000 per year. If the value of housing is included—and about 25% of AFDC families receive housing—the value of the welfare package can be as high as $16,000 in California, $14,000 in Colorado and $11,000 in Alabama (see table 2).

As shown in the first panel of Table 3, federal expenditures on seven major welfare programs have increased dramatically, no matter what year one takes as a baseline. Since 1970, spending on the programs has increased 232% in constant dollars; since 1975, spending has increased 56% in constant dollars. Even since 1981, depite all the rhetoric about budget cuts, federal deficits, and the Gramm-Rudman-Hollings sequestration of 1986, expenditures are up 7%.

One could argue that total federal expenditures are not necessarily reflected in benefits received by particular families. Perhaps more money was spent on administration or perhaps participation in the programs expanded, either of which could reduce the level of benefits received by individual families. To examine this possibility, we asked the Congressional Research Service to assemble the data shown in the second and third panels of Table 3. The data clearly show this argument is not correct.

Table 3 demonstrates that there has been substantial expansion in the number of recipients of each benefit type, ranging from a mere 49% in the AFDC program to 386% in the food stamp program. On average, for the five programs in existence since 1970, the increase in participation between 1970 and 1986 was about 173%. During this period, the number of poor people increased about 30%. Thus, it is almost certain that a higher proportion of the poor are covered by each of these programs.

The second conclusion supported by Table 3 is that benefits in all the programs except AFDC have increased substantially since 1970. Although per family AFDC benefits have declined 16% since 1970, benefits in the other five programs in existence since 1970 have increased between 53% (food stamps) and 152% (housing); on average, the four programs that have increased now provide average benefits about 85% higher than in 1970.

Recent Census Bureau data demonstrate unequivocally that virtually every AFDC family receives at least one additional benefit, that nearly all families receive at least two additional benefits, and that many families receive three or more additional benefits. More specifically, the Survey of Income and Program Participation shows that:

—95% of AFDC families are covered by Medicaid;
—82% receive food stamps;
—33% have children who receive the school lunch benefit;
—25% receive housing benefits; and
—16% receive WIC benefits.

The same study also shows that a higher percentage of female-headed AFDC families, as compared with two-parent AFDC families, receives each of these benefits.

Impressive though these data might be, they provide no estimate of how many AFDC families also receive benefits from the wide variety of programs not listed in any of our tables—programs such as Head Start, Title XX social services, any of the numerous job training programs, college grants or loans, commodity food, and so forth. Spending in nearly all these programs has increased dramatically since 1970, and many of them were not even in existence in 1970.

Some of us also are very much opposed to another type of benefit expansion, the mandatory requirement that all states offer the

AFDC program to two-parent families (AFDC-UP). This provision will cost more than $1.1 billion in federal dollars and nearly $1 billion in state dollars over three years. It will also bring more than 90,000 new families onto the welfare rolls.

Those who favor this provision say that it prevents families from breaking up in order to become eligible for AFDC. However, numerous studies have failed to produce evidence that families do in fact break up in order to qualify for AFDC. For example, if AFDC cash income had any influence on family composition, states that pay high benefits should have higher rates of female-headed families than states that pay low benefits. Studies show that there is no relation between state benefit levels and percentage of children living with two parents, divorce rates, birth rates to unmarried women, or any other measure of family composition.

Because AFDC-UP is seen as a program of certain costs and uncertain benefits, most Republicans oppose it.

By way of summary, there are now more programs for poor and low-income citizens than at any time in the past, these programs serve more people, and average benefits in most of the programs have increased over time. Where is the justification for benefit increases? Welfare benefits have increased substantially and offer serious competition for low-income jobs. Given that benefit increases will lead to further reductions in job seeking, and make it more difficult for people to leave welfare, benefit increases are inappropriate at this time.

STATE DEMONSTRATIONS

A third major objection to H.R. 1720 is that the bill fails to grant the Administration's request for a broad demonstration authority that would allow state governments to experiment with their welfare programs. The current system greatly restricts what states can do, especially should they think it appropriate to combine welfare benefits.

Current federal statutes and regulations constitute an immense barrier to experimentation and reform of the nation's welfare system. Thus, the Administration requested a new authority to allow a group of cabinet-level secretaries, headed by a Presidential appointee, to solicit, receive, review, and approve demonstration plans from states interested in improving their welfare programs. Believing that Congress has responsibility for ensuring that welfare participants receive benefits given to them by the federal government—particularly in the case of entitlement programs—House Republicans revised the Administration proposal by adding a mechanism for Congressional veto of any demonstration deemed inappropriate. In addition, rather than leave the demonstration authority open to any program that served low-income citizens, as the Administration had done, House Republicans identified a specific list of 21 programs to which the authority would be limited. This change would allow Congress to more effectively provide oversight of the demonstrations and would also limit the number of Congressional Committees that would need to examine the proposals.

The states are a robust source of ideas on effective ways to improve the nation's welfare system by decreasing dependence and increasing administrative efficiency. Prohibiting state experimentation in this area denies our country its best opportunity to develop new programs to help the poor.

COST AND FINANCING

H.R. 1720 is estimated to cost more than $5.2 billion over five years. No provision has been made for financing this enormous cost. As written, the measure violates the House passed budget which assumes welfare reform should be deficit neutral. Any responsible welfare reform bill must contain provisions for financing.

SUMMARY

Now, for the first time ever, Republican and Democrats agree that dependency on welfare programs is a serious problem, and that work, for those who are able, and preparation for work, form at least a partial solution to the problem. Thus, the Congress should seize this opportunity to reform our nation's welfare programs by giving states the flexibility and money to help AFDC families join the rest of society by entering the workforce. Promoting work, not increasing welfare benefits, is the key to welfare reform.

TABLE 1.—COMPARISON OF VALUE OF WELFARE BENEFITS [1] IN HIGH, MODERATE, AND LOW-BENEFIT STATES FOR FAMILIES WITH VARIOUS LEVELS OF EARNED INCOME: (A) BASIC PACKAGE MAY 1987

Type of benefit, income, or tax	Level of earned income [9]		
	No earnings	Half time at minimum wage	Full time at minimum wage
	California (High Benefit)		
AFDC [2]	$617	$441	$171
Food stamps	58	46	66
Medicaid [3]	151	151	151
LIHEAP [4]	33	33	33
School meals [5]	54	54	54
Earnings	0	290	581
EITC [6]	0	41	70
State Tax [7]	0	0	0
Social Security tax [8]	0	(21)	(42)
Total, monthly	913	1,035	1,084
Total, annual	10,956	12,420	13,008
	Colorado (Moderate Benefit)		
AFDC	$346	$201	0
Food stamps	139	118	$117
Medicaid	123	123	0
LIHEAP	83	83	83
School means	54	54	54
Earnings	0	290	581
EITC	0	41	70
State tax	0	0	(51)
Social Security tax	0	(21)	(42)
Total, monthly	745	889	812
Total, annual	8,940	10,668	9,744

TABLE 1.—COMPARISON OF VALUE OF WELFARE BENEFITS [1] IN HIGH, MODERATE, AND LOW-BENEFIT STATES FOR FAMILIES WITH VARIOUS LEVELS OF EARNED INCOME: (A) BASIC PACKAGE MAY 1987—Continued

Type of benefit, income, or tax	Level of earned income [10]		
	No earnings	Half time at minimum wage	Full time at minimum wage
	Alabama (Low Benefit)		
AFDC	$118	0	0
Food stamps	214	$191	$117
Medicaid [9]	111	0	0
LIHEAP	30	3020	
School means	54	54	54
Earnings	0	290	581
EITC	0	41	70
State tax	0	0	(105)
Social Security tax	0	(21)	(42)
Total, monthly	527	585	705
Total, annual	6,324	7,020	8,460

[1] In addition to the benefits listed in the table, adults and children in AFDC families are eligible for a variety of other benefits. These include but are not limited to (1987 expenditures in billions of dollars are given in parentheses): housing ($13.9), Title XX Social Services ($2.7), the WIC special food program ($1.7), family social services ($.9), Head Start ($1.1), job training under Title IIA of the Job Training Partnership Act ($1.8), Summer Youth Employment and Job Corps ($1.3), compensatory education ($3.1), vocational and adult education ($1.0). All figures were taken from Chapter 5 of Budget of the United States Government, Fiscal Year 1987.

[2] AFDC and Food Stamp benefits were calculated according to the appropriate formula for each state. Benefits were calculated for a mother and two dependent children.

[3] The market value of Medicaid was taken from U.S. Bureau of the Census, Estimates of Poverty Including the Value of Noncash Benefits: 1985 (Technical Paper 56), Table B-9, p. 65. Washington, D.C.: 1986.

[4] The Low-Income Home Energy Assistance Program (LIHEAP) provides four types of benefits to recipients: home heating, home cooling, crisis assistance, and weatherization. States set their own benefit levels and income limits. Generally, states cannot set a maximum income limit less than 110%, or more than 150%, of the federal poverty level. About 65% of the $2.1 billion appropriation for Fiscal Year 1985 was spent on home heating. The maximum benefits shown here for recipients living in California, Colorado, and Alabama are based just on the home heating program. Data were obtained from Leon Litow of the Family Support Administration, Department of Health and Human Services.

[5] For the 1986-87 school year, the federal cash reimbursement for lunches served to children from families with incomes below 130% of the poverty level is $1.36 per meal; the comparable value for breakfasts is $.71. In a 20-day month, a family with two children would receive a benefit of $54.40 for lunches and $28.40 for breakfasts. Because families do not receive these benefits in the summer months, and because fewer families actually receive the breakfasts than the lunches, we estimate the value of school meals at only $54. (see Committee on Ways and Means: Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means. Washington, D.C.: U.S. Government Printing Office, 1987.)

[6] The Earned Income Tax Credit was computed in accord with the 1986 tax law, i.e., at 14%.

[7] State Taxes were computed by Carmen Solomon of the Congressional Research Service.

[8] Social Security taxes were calculated on 7.15% of earned income.

[9] Medicaid eligibility is tied to AFDC (and Supplemental Security Income). As a result, when a recipient loses the AFDC benefit because of earned income, the family also loses its Medicaid benefit in most states (including Alabama and Colorado).

[10] When AFDC recipients first begin to work, they are allowed to deduct $105 of their earnings as an initial work disregard, any day care expenses up to a maximum of $160 per child per month, and one-third of the rest of their earnings. After 4 months, they can no longer disregard one-third of the rest of their earnings; after 12 months, the initial work disregard is reduced from $105 to $75. All the computations here are based on the assumption that the recipient mother has worked for 12 months, i.e., that the work disregard is $75 and the one-third disregard is not in effect.

Note: This benefit package assumes that housing was not available.

TABLE 2.—COMPARISON OF VALUE OF WELFARE BENEFITS [1] IN HIGH, MODERATE, AND LOW-BENEFIT STATES FOR FAMILIES WITH VARIOUS LEVELS OF EARNED INCOME: (B) BASIC PACKAGE PLUS WIC AND HOUSING BENEFITS MAY 1987

Type of benefit, income, or tax	Level of earned income [3]		
	No earnings	Half time at minimum wage	Full time at minimum wage
	California (High Benefit)		
AFDC[2]	$617	$441	$171
Food stamps	58	46	66
Medicaid	151	151	151
Housing[4]	409	386	386
School meals[5]	54	54	54
WIC[6]	32	32	32
LIHEAP[7]	33	33	33
Earnings	0	290	581
EITC[8]	0	41	70
State tax[9]	0	0	0
Social Security tax[10]	0	(21)	(42)
Total, monthly	1,354	1,453	1,502
Total, annual	16,248	17,436	18,024
	Colorado (Moderate Benefit)		
AFDC	$346	$201	0
Food stamps	139	118	$117
Medicaid[11]	123	123	0
Housing	415	393	358
School meals	54	54	54
WIC	32	32	32
LIHEAP	83	83	83
Earnings	0	290	581
EITC	0	41	70
State tax	0	0	(51)
Social Security tax[10]	0	(21)	(42)
Total, monthly	1,192	1,314	1,202
Total, annual	14,304	15,768	14,424
	Alabama (Low Benefit)		
AFDC	$118	0	0
Food stamps	214	$191	$117
Medicaid[11]	111	0	0
Housing	353	307	228
School meals	54	54	54
WIC	32	32	32
LIHEAP	30	30	30
Earnings		290	581
EITC	0	41	70
State tax	0	0	(105)
Social Security tax	0	(21)	(42)
Total, monthly	912	924	965
Total, annual	10,944	11,088	11,580

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[1] In addition to the benefits listed in the table, adults and children in AFDC families are eligible for a variety of other benefits. These include, but are not limited to (1987 expenditures in billions of dollars are given in parentheses): Title XX Social Services ($2.7), family social services ($.9), Head Start ($1.1), job training under Title IIA of the Job Training Partnership Act ($1.8), Summer Youth Employment and Job Corps ($1.3), compensatory education ($3.1), vocational and adult education ($1.0). All figures were taken from Chapter 5 of Budget of the United States Government, Fiscal Year 1987.

[2] AFDC and Food Stamp benefits were calculated according to the appropriate formula for each state. Benefits were calculated for a mother and two dependent children.

[3] The market value of Medicaid was taken from U.S. Bureau of the Census, Estimates of Poverty Including the Value of Noncash Benefits: 1985 (Technical Paper 56), Table B-9, p. 65, Washington, D.C., 1986.

[4] Housing is not an entitlement; only about 24% of AFDC families actually receive the housing benefit. Our calculations assume these deductions: $40 for each child and child care costs equal to 20 percent of earnings, not counting the EITC. Housing subsidies are determined on an annual basis. The calculation was adjusted here to get monthly values. Each household is expected to pay the higher of: 1) 30 percent of its adjusted income; or 2) 10 percent of gross income. The value of the subsidy is the difference between the contract rent and the rent paid by the tenant. The contract rent cannot exceed a HUD-determined Fair Market Rent (FMR). The following FMRs (from August 8, 1986) for a two-bedroom apartment were used: $570 for Los Angeles, CA; $495 for Denver, CO; $365 for Birmingham, AL.

[5] For the 1986-87 school year, the federal cash reimbursement for lunches served to children from families with incomes below 130% of the poverty level is $1.36 per meal; the comparable value for breakfasts is $.71. In a 20-day month, a family with two children would receive a benefit of $54.40 for lunches and $28.40 for breakfasts. Because families do not receive these benefits in the summer months, and because fewer families actually receive the breakfasts than the lunches, we estimate the value of school meals at only $54. (see Committee on Ways and Means. Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means. Washington, D.C.: U.S. Government Printing Office, 1987.)

[6] The Special Supplemental Food Program for Women, Infants, and Children (WIC) was worth $32 per month in 1986.

[7] The Low-Income Home Energy Assistance Program (LIHEAP) provides four types of benefits to recipients: home heating, home cooling, crisis assistance, and weatherization. States set their own benefit levels and income limits. Generally, states cannot set a maximum income limit less than 110%, or more than 150%, of the federal poverty level. About 65% of the $2.1 billion appropriation for Fiscal Year 1985 was spent on home heating; the maximum benefit for recipients living in California, Colorado, and Alabama are based just on the home heating program. Data were obtained from Leon Litow of the Family Support Administration, Department of Health and Human Services.

[8] The Earned Income Tax Credit was computed in accord with the 1986 tax law, i.e., at 14%.

[9] State Taxes were computed by Carmen Solomon of the Congressional Research Service.

[10] Social Security taxes were calculated on 7.15% of earned income.

[11] Medicaid eligibility is tied to AFDC (and Supplemental Security Income). As a result, when a recipient loses the AFDC benefit because of earned income, the family also loses its Medicaid benefit in most states (including Alabama and Colorado).

[12] When AFDC recipients first begin to work, they are allowed to deduct $105 of their earnings as an initial work disregard, any day care expenses up to a maximum of $160 per child per month, and one-third of the rest of their earnings. After 4 months, they can no longer disregard one-third of the rest of their earnings. After 12 months, the initial work disregard is reduced from $105 to $75. All the computations here are based on the assumption that the recipient mother had worked for 12 months, i.e., that the work disregard is $75 and the one-third disregard is not in effect.

TABLE 3.—CHANGES IN PARTICIPANTS AND BENEFITS FOR SELECTED MAJOR WELFARE PROGRAMS, 1970–86[1]

[In fiscal years]

Program	Expenditures in constant 1986 dollars (billions)				Number of recipients (millions)[2]				Average annual spending per recipient unit[10]			
	1970	1975	1981	1986	1970	1975	1981	1986	1970	1975	1981	1986
AFDC[3, 11]	$6.8	$9.6	$8.6	$8.5	7.4	11.1	11.2	11.0	$920	$871	$766	$777
Food stamps[4, 12]	1.5	8.2	12.4	11.4	4.3	17.1	22.4	20.9	357	482	553	546
Medicaid[5, 13]	9.6	18.2	24.0	23.4	15.0	22.5	22.5	22.6	640	812	1,069	1,038
School lunch[6, 12]	.5	2.0	2.3	2.4	5.6	10.1	12.5	11.6	86	197	188	208
Housing[7, 14]	1.3	4.2	8.1	12.2	1.1	2.0	3.3	4.1	1,184	2,119	2,462	2,987
WIC[8, 12]	NP	.1	.8	1.3	NP	.1	2.1	3.3	NP	416	390	383
Low-income home energy[9, 15]	NP	NP	1.5	1.4	NP	NP	7.1	6.5	NP	NP	209	211

[1] Except in the case of housing programs, where separate administrative costs were not identified.

[2] AFDC, food stamps, and WIC: average monthly number of persons participating. Free and reduced-price school lunches: average daily number of low and lower-income children participating. Medicaid: total annual number of persons participating. Low-Income Home Energy Assistance (LIHEAP): total annual number of households participating. Housing programs: total households receiving aid at the end of the fiscal year (FY 1970, estimated).

[3] AFDC benefit expenditures are from Committee on Ways and Means Print 100-4, p. 474. Recipient data are from the same print, p. 428-29.

[4] Food stamp expenditures and recipient data are from U.S. Agriculture Department, Food and Nutrition Service, budget documents. Includes spending and recipients in Puerto Rico.

[5] Medicaid expenditures and recipient data are from the Budget appendixes for FYs 1972, 1977, 1983, and 1988, except for the FY 1986 recipient count, which is from the Department of Health and Human Services press release accompanying the FY 1988 budget.

[6] School lunch expenditure and recipient data for FYs 1981 and 1986 were supplied by U.S. Agriculture Department budget staff. Data for FYs 1970 and 1975 were obtained from FY 1972 and FY 1977 Budget Appendixes, adjusted for reimbursement rates shown in Congressional Research Service Report 83-539 EPW.

[7] Housing expenditures and numbers of units were obtained from Carla Pedone of the Congressional Budget Office. The figures include: Section 8 (new construction), Section 8 (existing housing and vouchers), Pubic Housing (including operating subsidies), other Department of Housing and Urban Development programs, and Section 235 housing.

[8] WIC expenditure and recipient data are from Congressional Research Service Report 86-794 EPW, p. 19, and U.S. Agriculture Department, Food and Nutrition Service, budget documents accompanying the FY 1988 budget.

[9] LIHEAP expenditure and recipient data include only the heating assistance portion of the LIHEAP. They were obtained from Department of Health and Human Services program staff. Expenditure data include approximately $40 million nonheating assistance funds, in both years.

[10] Constant-dollar benefit spending per recipient was derived from current-dollar benefits from the same sources noted in footnotes 3 through 9, except for free and reduced-price school lunches. Average free and reduced-price benefits for low and lower-income children were estimated by dividing the total expenditures by the total number of low and lower-income children participating; actual free and reduced-price meal subsidies were higher (for free meals) and lower (for reduced-price meals).

Recipient units are persons for AFDC, food stamps, Medicaid, school lunches, and WIC, and households for housing programs and the LIHEAP.

[11] Current dollars were converted to FY 1986 values by use of fiscal year implicit price deflators for personal consumption expenditures, as shown in Congressional Research Service Report 87-129, p. 122.

[12] Current dollars were converted to FY 1986 values by use of the fiscal year average index number for the food component of the Consumer Price Index (the CPI-U for 1981 and 1986; the CPI-W for 1970 and 1975). Data on this component were taken from the Economic Report of the President (1971, 1976, 1982, and 1987).

[13] Current dollars were converted to FY 1986 values by use of the fiscal year average index number for the medical care services component of the Consumer Price Index (the CPI-U for 1981 and 1986; the CPI-W for 1970 and 1975). Data on this component were taken from the Economic Report of the President (1971, 1976, 1982, and 1987).

[14] Current dollars were converted to FY 1986 value by use of fiscal year implicit price deflators for the gross national product from Congressional Research Service Report 87-129 EPW, page 122.

[15] Current dollars were converted to FY 1986 values by use of the fiscal year average index number for the energy component of the Consumer Price Index (the CPI-U for 1981 and 1986; the CPI-W for 1970 and 1975). Data on this component were taken from the Economic Report of the President (1971, 1976, 1982, and 1987).

Note: NP indicates no program.

Source: Data in this table were prepared by Vee Burke and Joe Richardson of CRS.

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